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ORIGINAL PAPER

Performance Management for Social Enterprises

Maureen Meadows · Matthew Pike

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Abstract All organisations face the challenge of how to assess performance beyond current financial metrics. These challenges are felt especially strongly by social enterprises, organisations that use business methods to achieve social goals. Social enterprises need to evidence superior social outcomes, are normally accountable to a complex range of stakeholders and yet are often rated low to medium in terms of organisational capacity—thus whilst they have a great need for rounded measurement, they may in practice lack the ability to make use of the different approaches on offer. This paper examines the current and potential use of the conventional Balanced Scorecard model, by social enterprises. The Adventure Capital Fund provides case study evidence of extensive use of a modified Scorecard. The model used is dynamic, combining reflection on the organisation's current position, 'near term' and long term issues. It aims to take a holistic and coherent view of the management of social enterprises. Experience to date suggests that the medium term snapshot provided by the Scorecard is the most valuable, allowing organisations and especially boards and senior executives to keep a 'strategic grip' in a period of rapid change and focus on those actions that have best chance of changing performance in the round.

Keywords Performance measurement · Performance management · Balanced Scorecard · Social enterprises

Introduction: What is a Social Enterprise?

Social enterprises are organisations that use business methods to achieve social goals. Social enterprises may take different constitutional or legal forms. In the UK they may be companies limited by guarantee or by shares; they may be mutual organisations (industrial

M. Meadows (✉)
The Open University Business School, The Open University, Walton Hall, Milton Keynes MK7 6AA, UK
e-mail: m.meadows@open.ac.uk

M. Pike
Matthew Pike and Associates, Rugby, UK

and provident societies) or they may even be charities. Whilst the legal form may vary, they differ from conventional private sector businesses, in that they ultimately place social return above profit and they maximise the re-investment of any profit generated back into the achievement of social impact.

The term social enterprise implies forms of trading. In practice this trading can take a combination of two basic approaches: contracting to deliver services to government, or conducting market based trading. In the UK and other similar western nations, many social enterprises are likely to rely heavily upon government contracts to fund their activity, given high levels of GDP spent by the state on achieving certain social goals. Nevertheless, even in these cases, there is a clear difference between reliance upon grants—the traditional preserve of the voluntary sector—and contracts, what are effectively social payments for value (outputs and outcomes) produced. Therefore one common definition of a social enterprise is whether they are funded less than 50% by grant revenues. Under this definition, a large majority of the voluntary sector can be seen to be shifting into the social economy—the collective trading space of social enterprises.

The shift away from grants and towards forms of contracting and market based trading clearly places major stress upon organisations that are in different phases of transition. Grant revenue had many historical disadvantages: there was never enough grant to go around and thus organisations suffered from wide under-capitalisation; they were unable to build reserves and wider balance sheet—making them less resistant to shocks; and they were thus less in control of their future strategic direction, often more focussed on survival than growth or replication. Nevertheless grants had the major virtue of allowing organisations to protect what they saw as the integrity of their particular service—special features or qualities that an outside contractor would not necessarily value. In the process of transition therefore, some organisations have continued to use grants to cushion the impact of new market rigours, but the danger in this strategy is that the organisation fails to educate and change the market within which they operate. If they could focus instead upon proving the superior value of alternative approaches then they might be able to both achieve sufficient financial return and maximise social impact. Despite this, it can be seen that the process of managing transition is far from straightforward.

Indeed the challenges are further increased by the need to raise forms of funding and finance that can equip the organisation to build its general capacity to deliver.

Funding and Financial Services for Social Enterprises

There is an emerging market of financial products for social enterprise in the UK, which can be related to different phases of organisational growth and transition. One such product is social venture capital, a term that respects the prime investment as being the maximisation of social impact, but which also seeks a degree of financial return. The market for such investment is expanding rapidly in the UK, coinciding with the move away from grants and towards combinations of contracting and market based trading outlined above. One of the leading investors is the Adventure Capital Fund (ACF)—the subject of the case study set out below. The ACF is a fund established in December 2002 by third sector partners in collaboration with three government departments and five regional development agencies. It is the first of its type in the UK, and the first in the world to be initiated by central government as a strategic response to the need to shift resources away from grants and towards investment in social enterprise. The ACF was launched as a £2 million, 1 year initiative, delivered by a partnership of community-orientated infrastructure organisations and focused in multiply deprived communities. By 2008 it had grown to become a £12.5 million, multi-year programme run by an independent organisation with five staff (Thake and Lingayah 2008). Since 1 April 2008, the Future Builders Fund (a fund run from 2003–2007 by a consortium made up of Charity Bank, Unity Trust Bank, National Council for Voluntary Organisations and Northern Rock Foundation) has also been under the management of the ACF.

Both of these funds—ACF and Futurebuilders—operate in a quite distinct market niche from community development finance intermediaries, which offer nearer market rate or riskier above market rate loans—suitable for organisations that are close to being profitable and strong.

Performance Management Beyond the Private Sector

We might begin by asking what is performance management in the context of public and not-for-profit organisations, and what is the difference between performance management and performance measurement? Halachmi (2005) argues that performance management is a broader and more meaningful concept than simple performance measurement. Performance management can take many forms from dealing with issues internal to the organisation to catering to stakeholders or handling issues in its environment. Performance management involves the use of both quantitative and qualitative techniques and paying due attention to the human (behavioural) side of the enterprise. Performance measurement can be identified as a possible sub-system of performance management.

Johnston (2005) argues that performance is not necessarily determined by formal standards and technical measurements. She points out that “performance is also situational and opportunistic and mediated by more subjective and basic concerns … performance management systems are largely socially rather than technically constructed and operated. As such they will continue to pose dilemmas for public sector managers that will be difficult to resolve”.

Examples of performance management in a range of public sector organisations have been described in the literature, such as the health sector, the police force, UK local authorities and city councils, and the defence sector. Radnor and Lovell (2003) show that there has been a continuing emphasis on Performance Measurement within the health sector since 1997. They define and describe Performance Measurement/Management in this context, before discussing the use of one performance measurement tool, the Balanced Scorecard by a primary care trust (PCT). Chang (2007) explores the limitations of, and implications for, the performance assessment framework (PAF) as a Balanced Scorecard approach in the NHS. The study suggests that the use of performance measurement systems should take into account politics and power faced by an organisation. In the NHS, performance measurement might be used by local NHS organisations primarily as a ceremonial means of demonstrating their symbolic commitment for legitimacy seeking purposes.

Wisniewski and Dickson (2001) illustrate the use of the Balanced Scorecard by Dumfries and Galloway Constabulary in Scotland as part of a strategic policing initiative. Wisniewski and Olafsson (2004) discuss the experience of local authorities in using the Balanced Scorecard to improve performance, and to demonstrate such improvement through effective performance measurement. McAdam et al. (2005) explore issues involved in developing and applying performance management approaches within a large UK public sector department. They found that staff at all levels had an understanding of the new system and perceived it as being beneficial. However, there were concerns that the approach was not continuously managed throughout the year and was in danger of becoming an annual event, rather than an on-going process. Furthermore, the change process seemed to have advanced without corresponding changes to appraisal and reward and recognition systems. Thus, the business objectives were not aligned with motivating factors within the organisation. The strategic integration of the stakeholder performance measures and scorecards was found to be essential to producing an overall stakeholder-driven strategy within the case study organisation.

Greatbanks and Tapp (2007) consider the impact of implementing and using the Balanced Scorecard within a public service city council environment. A longitudinal case study approach is adopted in order to evaluate the impact of scorecards at three levels: strategic planning, team management and individual staff performance. Evidence suggests that the use of scorecards enabled employees to appreciate their role, and focus on delivery of performance-related measures which support organisational strategy. Clarity of role appears to have a positive influence on the achievement of the organisation's business plan and excellence goals regarding the delivery of customer service.

Lindholm and Suomala (2007) present a case study of life cycle cost management in the Finnish Defence Forces. The case highlights practical challenges relating to collecting adequate data and practising long term cost management in an uncertain context.

Examples of performance management systems such as Balanced Scorecard in the third sector are still relatively rare in the literature. One example is the exploration by Manville (2007) of the implementation of a performance management system using the Balanced Scorecard within a not for profit small and medium sized enterprise (SME), noting that the motivation for adopting the scorecard were both internal and external due to the heavily regulated nature of the organisation.

Is this paucity of examples because their focus lies elsewhere? Kong (2007) examines five key strategic management concepts (industrial organisation (IO), resource-based view (RBV), knowledge-based view (KBV), Balanced Scorecard (BSc) and intellectual capital (IC)) within the non-profit context, and concludes that the IC concept is the most applicable and effective in the non-profit sector, as IC is an important resource that non-profit organisations need to develop in order to gain sustained strategic advantage.

Turning to issues of the process of performance measurement, Irwin (2002) explores the use of strategy mapping (which demonstrates links between scorecard perspectives) as a tool to develop strategy in a public sector agency, and suggests a simplified version which can communicate that strategy effectively, both inside and outside the organisation. Papalexandris et al. (2005) put forward a "compact and integrated" methodological framework for Balanced Scorecard synthesis and implementation. The methodology embodies activities related to Project Management, Change Management, Risk Management, Quality Assurance and Information Technology, areas that contribute considerably to the successful implementation of the Balanced Scorecard.

Lawrie and Cobbold (2004) describe changes to the definition of the Balanced Scorecard framework that have occurred since the early 1990s, recognising within these changes three distinct generations of Balanced Scorecard design, and observing that these changes have improved the utility of the framework as a strategic management tool. Lawrie, Cobbold and Marshall (2004) present a case study exploring the design of a new corporate performance management (CPM) system for a UK government agency, the UK Environment Agency, based on best practice third-generation Balanced Scorecard processes. Andersen et al. (2004) argue that effective quality management requires explicit links between strategy and operational initiatives, and suggest that a third generation Balanced Scorecard can support the application of a number of popular quality management tools.

In summary, the literature on performance management and performance measurement beyond the private sector provides examples of the use of approaches based on the Balanced Scorecard in a number of public sector contexts, such as the UK health service. However, for those involved in the management of social enterprises, little guidance is available.

Introducing the Case Study: The ACF

In its first round, the ACF (established in December 2002) offered a £360,000 Bursary Fund to invest in approximately 20 revenue bursaries, each up to £15,000; and a £2 million Patient Capital Fund to invest in 10 capital investments with a ceiling of £400,000. The bursaries were intended to strengthen organisational capacity, and assist in the development of its investment readiness, while the Patient Capital investments were designed to establish or strengthen the asset base and increase the scale of operations of the selected community enterprises.

Time scales were very tight; the first round of the ACF was set up very quickly as the government needed to have committed expenditure by the end of the calendar year. A 2 week period was allowed for responses, and a 3 week period for visits. Early in 2003, the decision to award the ACF's first investments was made. Ten organisations received loans, grants or a combination of the two from the Patient Capital fund, and a further nineteen organisations received bursaries.

The tight timescales imposed some major constraints on the development of new systems. The ACF was forced to bootstrap some approaches to measurement that would be capable of meeting four basic requirements.

First, before making an investment in an organisation, an investor such as ACF must go through a process of rigorous assessment of the potential investment; ACF must scrutinise the organisation concerned on a number of dimensions, financial and non-financial—and a structured method for doing this was required. It must then be able to form some judgements about the likely changes that will result from its investment. Whilst it is not easy to compare what are often very different enterprises by one single standard, as a minimum one should have a clear grasp of the types of change and sorts of outcome that will result in each case.

Second, when an investment has been made, a tool for on-going monitoring and evaluation of the investment is required to serve both the interests of investor and investee. For the ACF, there is a need to provide evidence as to whether the hypothesis of change and value resulting from different investments have indeed been realised. For the investee there is an obvious interest in demonstrating progress and impact so as to sustain and grow investment and revenue funding.

Third, an effective performance measurement framework could be used to identify where the investee needs to put their greatest effort and indeed those points where the investor should focus their support.

Finally, the individuals charged with governance of the organisation would surely value a tool to support them in this task—given that they are stewards of its prime goal, that of maximising social impact, and at the same time must concern themselves with the sustainability of the organisation in the medium to long term (and hence revenue generation is usually a vital consideration too). An effective performance measurement framework should be part of the framework for strategic reflection for the organisation, perhaps leading to a series of stages of organisational transformation as opportunities present themselves.

All of these considerations informed development of a measurement framework for the ACF. The measurement process was conceived of as a developmental process of supporting a ‘strategic conversation’ within the investee organisation and between the investor and investee. The vision was always of a supportive relationship that would continue for the long term, resourced by supporters funded by the ACF. The intervention undertaken by the authors was inspired by Kaplan’s (1998) Innovation Action Research Cycle. The basic structure is represented by the research cycle reproduced in Fig. 1. The research begins with the stage labelled ‘Base Case’ at the bottom of the cycle, by noting that existing management and practice has shortcomings and could be improved. A search for potential solutions is therefore launched. Maital et al. (2008) note that in Innovation Action Research, scholars work with client organizations to enhance and test an emerging theory that has been proposed to improve organizational performance; one of the prime objectives of innovation action research is to modify and extend the emerging theory in the light of knowledge gained through experience. This continues to be the inspiration behind the relationship between the ACF and its investees.

The work described here with ACF applicants also had a strong focus on the opportunities for learning for all participants in the exercise, with a particular emphasis on the representatives of the organisations applying to ACF for support. According to a discussion of the ‘maturing of systems thinking’ amongst devotees of different “schools” of systems thinking (Barton et al. 2004), ‘most problem-solving strands of systems thinking now emphasize learning and see the process and its effect on participants as more important than specific outcomes”. Kunc (2008) also argues that practitioners wishing to establish a set of performance measures for an organization must first understand their own theories-in-use, and the theories-in-use of others in the organization, rather than starting from pre-defined schemes of performance measures.

In order to provide an opportunity for in-depth learning and problem solving in the organisations concerned, a long checklist of areas of risk was combined with the use of a ‘Balanced Scorecard’. This is discussed in the next section.

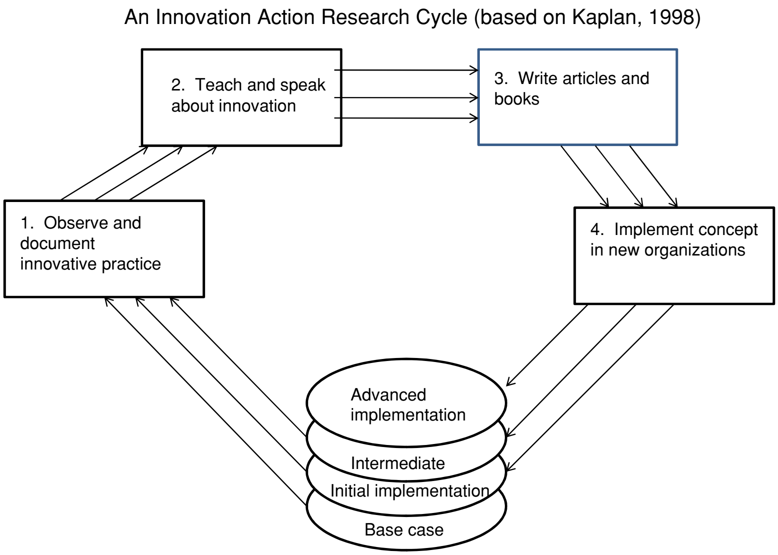

Fig. 1 An innovation action research cycle (based on Kaplan 1998)

Risk Management for Social Enterprises

For an organisation that is moving towards acting as a social enterprise, the process of transition presents tensions which in turn raise a range of risks. These are the risks that investors need to assess and either share, manage or eliminate in partnership with their investees. Indeed, the whole process of investment can be conceived of as a process of risk management. We can outline some major risks and consequences as follows:

Weak organisational capacity:

- Lack of financial control—over budget, losses,
- Lack of HR systems—loss of good staff, expensive tribunals, poor PR
- Weak governance—unethical behaviour that imperils social credentials, poor business performance that leads to defaulting on investments

Poor financial performance

- Lack of reserves—cash flow
- Inadequate capitalisation
- Unattractive to investors

Poor service development

- Lack of relevant, quality services
- Lack of market intelligence/feedback
- Inability to reach customers in sufficient numbers/variety

Inability to evidence the added social value

- Imperils social status of the organisation
- Reduced revenues
- Inability to manage and improve social impact

A risk management approach is essential to ensure that investments avoid a range of obvious dangers that are generic to any organisation embarking upon a process of difficult change in a market place that is a long way away from maturity. Nevertheless a risk management perspective on its own can be somewhat reductive. Social venture capital investment is interesting in that it combines the skill set and ethos of banking, which is essentially risk conscious and some would say inherently risk averse, with the skills and ethos of equity investment, which also uses such risk management tools, but which is also concerned with maximising the 'upside' of investments i.e. the value that flows from getting a number of key things right.

A 'Balanced Scorecard' for Social Enterprises

The Social Enterprise Scorecard proposed here takes the Balanced Scorecard approach, and adapts it to make it more applicable to social enterprises. The Balanced Scorecard (BSc) is a performance management tool which began as a concept for measuring whether the smaller-scale operational activities of a company are aligned with its larger-scale objectives in terms of vision and strategy (Kaplan and Norton 1992, 1993, 1996a, 2004). By focusing not only on financial outcomes but also on the operational, marketing and developmental inputs to these, it is argued that the Balanced Scorecard helps provide a more comprehensive view of a business, which in turn helps organisations act in their best long-term interests. Organisations are encouraged to measure—in addition to financial outputs—what influenced such financial outputs. For example, process performance, market share, long term learning and skills development, and so on. The underlying rationale is that organisations cannot *directly* influence financial outcomes, as these are "lag" measures, and that the use of financial measures alone to inform the strategic control of the firm is unwise. Organisations should instead also measure those areas where direct management intervention is possible. In so doing, it is argued that the early versions of the Balanced Scorecard helped organisations to achieve a degree of "balance" in selection of performance measures. In practice, early Scorecards achieved this balance by encouraging managers to select measures from three additional categories or perspectives, as well as the "Financial Perspective"; these were sometimes described as the "Customer Perspective", "Business (or Internal Business Processes) Perspective", and the "(Learning and) Growth Perspective".

The authors' approach, in developing an enhanced scorecard, draws upon the some of the core ideas behind systems thinking, as articulated by some prominent systems thinkers. According to Senge (1999), systems thinking aims to identify the dynamic complexity existing in organisations by looking at multiple cause-and-effect relationships over time. Flood (1999) points out that 'systemic thinking basically argues that behaviour is most usefully understood as a result of loops where variables are interrelated. Behaviour results from feedback between variables'. Wolstenholme (summarised in Barton et al. 2004) emphasizes continuity and connectedness of resources, stakeholder perspectives, processes and information flows. The traditional Balanced Scorecard model has recently been criticised (see e.g. Kunc 2008) for a lack of clarity in the linkages between different dimensions of performance. Herrscher (2006) argues for what he calls 'the"really" integrated Balanced Scorecard' that links functions, responsibilities, inputs and outputs. The work described here attempts to address these criticisms in the context of the management of social enterprises.

In developing a social enterprise scorecard, the authors sought to take a holistic and coherent view of the performance management of social enterprises—both in terms of respecting a range of stakeholder perspectives, and of including a range of interrelated performance measures. Considering the need for social enterprises to reflect the views of a full range of stakeholders, the authors reflected upon the need to make difficult 'boundary judgements'. Flood (1999) describes a boundary judgement as 'a choice that determines who is to be in the bounded action area and will benefit and who is to be out and will not benefit'; he points out that such judgements are about ethical choice making, and are value-laden. Nørreklit (2000) argues that some stakeholders, such as suppliers and public authorities, are excluded from the traditional Balanced Scorecard model. Again, the scorecard described here seeks to address these criticisms. Turning to the need for a set of coherent and interrelated performance measures, Nørreklit (2000) proposes that 'a coherent strategy is one in which the properties of the different areas of strategic focus (finance, market requirements, technology, internal business processes, etc) are integrated and harmonized, allowing the ends planned to be achieved through the working together of the properties of the different areas of focus'. In a similar vein, deHaas and Kleingeld (1999) define coherence in a performance measurement system as 'an attribute of a PM system which causes performance by the group acting upon that system to contribute to the performance of other interdependent groups and, thereby, to contribute to the performance of the organizational entity as a whole'.

In the Social Enterprise Model of the Balanced Scorecard developed by the authors, the four categories typical of the Kaplan and Norton model (see Fig. 1) have been replaced

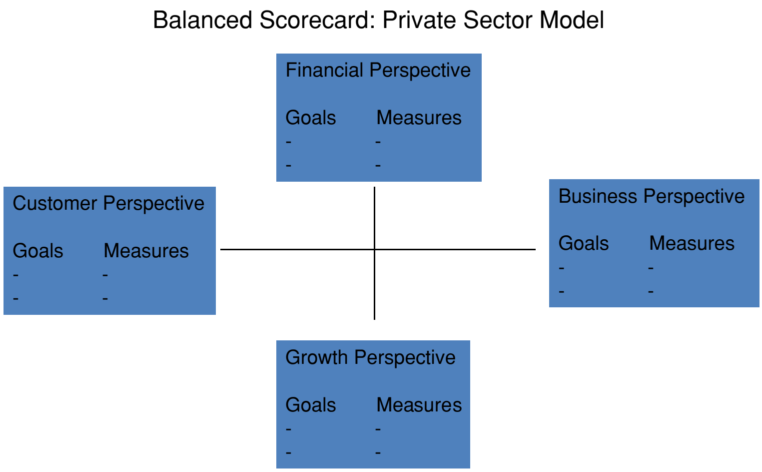

Fig. 2 Balanced scorecard: private sector model (based on Kaplan and Norton 1996b)

with others more suited to the needs of ACF (see Fig. 2). The four categories were also chosen to allow the organisations under consideration to choose a set of performance measures that are interrelated, and reflect a coherent strategy from the perspective of a full range of stakeholders.

Business Model and *Financial Return* most closely resemble Kaplan and Norton's Business Perspective and Financial Perspective. However, *Organisational Development* and *Social Return on Investment* (*SROI*) are concepts particularly relevant to social enterprises. *Organisational Development* seeks to identify the increases in organisational capacity that are taking place within a social enterprise. The *Social Return on Investment* seeks to capture the value of the benefits that accrue to a wider constituency as a consequence of the existence and interventions of a particular social enterprise (Fig. 3).

The Balanced Scorecard has also been criticised because the temporal link between the variables is not clear (Kunc 2008; Nørreklit 2000). Mindful of these criticisms, the social enterprise scorecard consists of three boxes representing different time perspectives. The innermost box presents a picture of the current situation. The middle box provides an indication of where the social enterprise wishes to be in 18 months—2 years time, and the outermost box projects a much more long term—5 to 10 year perspective. Again, the intention is to highlight the connections and continuities in the organisation's actions and strategies over time.

Three short case studies now follow, including a high level image of each of the Scorecards developed. In each case, the 'full' Scorecard (as used by the ACF and the organisations concerned) is more detailed than the images presented here; in particular the time dimensions (with 'current position', 'near term goals' and 'long term goals' for each of the measures, where appropriate) are specified in more detail in the 'full' Scorecards, but are not presented here to preserve a level of anonymity and confidentiality for the organisations concerned.

The first case study is based in a credit union development agency in the Midlands of England. The agency was established in the late 1980s to support the promotion, registration and development of credit unions in the local area, in an effort to combat financial exclusion. It is engaged in a wide variety of work to support this strategy. It is a non-profit

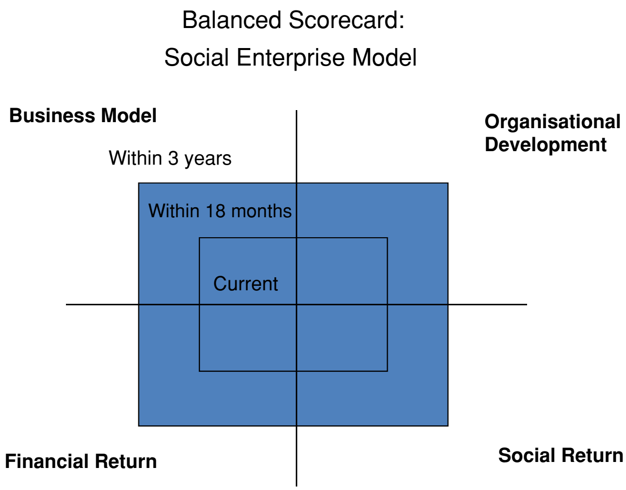

Fig. 3 Balanced scorecard: social enterprise model

making limited company, run by a voluntary Board of Directors. Conversations between the agency and the ACF focused on a number of important issues for the agency at the time if its application to ACF; these included the need to raise the profile of credit unions in the local area, and increase their cashflows; a desire to launch new financial products; and a concern that the agency and the credit unions it supported needed to strengthen their management teams, and enhance their IT systems and capabilities. The ACF decided to support the project with a mixture of loan and grant funding.

The second case study is located in a materials management and composting sales organisation in the north of England. It produces high quality compost, and handles green waste material through a sustainable waste management system that avoids environmental degradation. Based on the site of a wholesale market, the organisation's activities have diverted thousands of tons of organic market waste away from landfill. At the time of application to the ACF, the volumes of waste being processed were increasing such that the organisation needed to bring a second 'state-of-the-art' composting unit on stream. As well as avoiding landfill, the organisation argued that its growth provided valuable new jobs, work placement and training for residents in the local area. It was agreed that attention should be paid to be the strength of the management board, and the skills of its members; and that organisational growth was highlighting a need for financial management systems to be developed further. The ACF supported the project with a mixture of loan and grant funding, and agreement was reached that interest payments and capital repayments could be linked to royalties on sales of compost (Fig. 4).

The third case study, also situated in the north of England, concerns the acquisition of a business centre to house small businesses and community sector organisations. The community-led regeneration organisation applying to the ACF for support was both a social enterprise and a development trust, based in a geographic area that ranked highly in the UK government's Index of Deprivation. The organisation's aim was to make this disadvantaged area a better place to live and work. Its core business was the ownership and management of a business centre with almost 100 work units, occupied by small businesses, charities, community groups and statutory bodies that provided valuable employment for local residents. The building also housed meeting and conference facilities, which

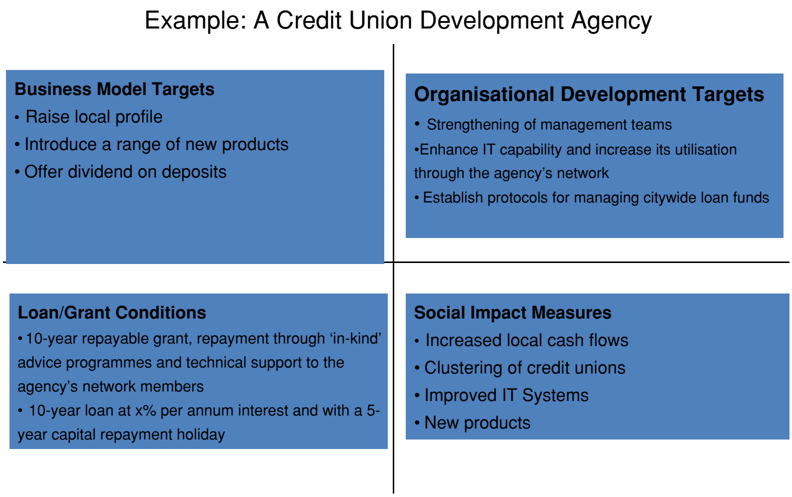

Fig. 4 A social enterprise scorecard (1)

were used for a wide range of purposes and activities. The organisation also managed and delivered a number of grant-funded programmes via a range of sources. At the time of application to ACF, the organisation recognised that it needed to address a number of important issues, including the refurbishment of the building; the development of services for tenants of the building; and a need to strengthen its own capabilities in a number of areas including its marketing, its management of assets and human resources, and the introduction of potential improvements in its management information systems. The ACF provided 5 year loan funding for the project, linked to the possible creation in 5 years' time of a local investment fund which could make cash and/or in-kind investment available to local community organisations (Fig. 5).

The Scorecards presented above were developed over a period of time, based on conversations held during initial assessment visits to the organisations, and subsequent conversations. The authors believe that the conversations held, focusing on a range of strategic issues for the organisations concerned, were extremely valuable, both to the assessors as part of the ACF's decision-making processes, and to staff within the organisations applying to ACF for support. Use of the Scorecard as part of the conversation helped to bring some key strategic issues into sharper focus (Fig. 6).

However, a number of problems were also experienced while using the Social Enterprise Scorecard. With the benefit of hindsight, the scorecard-based approach could have been introduced more fully to the organisations concerned prior to the initial assessment visit. Some of the early users expressed frustration during their initial attempts to use the tool, describing it as 'a mystery' or 'an Americanism'. Some users had not encountered anything similar before, or were suspicious of it as a private sector model invented in business schools and therefore only relevant to multinational corporations. However, over time, as the Scorecard was used as part of the ACF's on-going support to the organisations concerned, its value became clearer to the managers concerned; one sceptical early user later agreed it was 'quite useful'; another commented that 'the penny had begun to drop'.

In some instances, the need to populate the Scorecard with key issues and key data only served to highlight a lack of vital, basic information within some of the organisations applying to ACF, e.g. regarding their own finances, their organisational capacity, or their

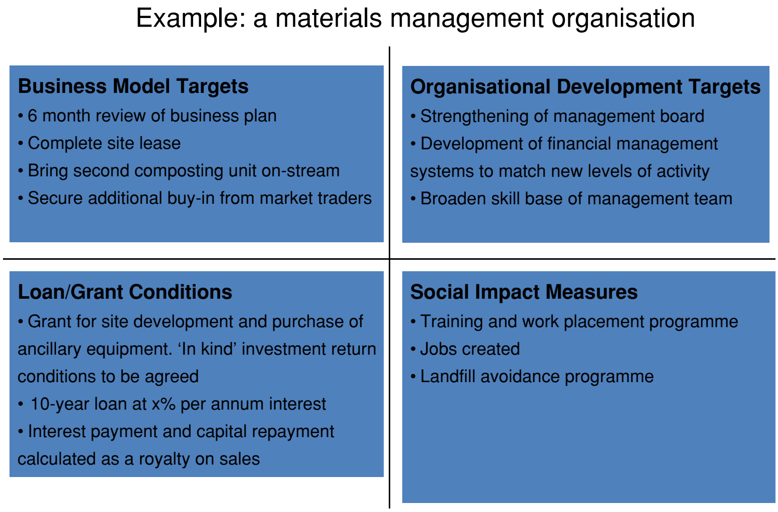

Fig. 5 A social enterprise scorecard (2)

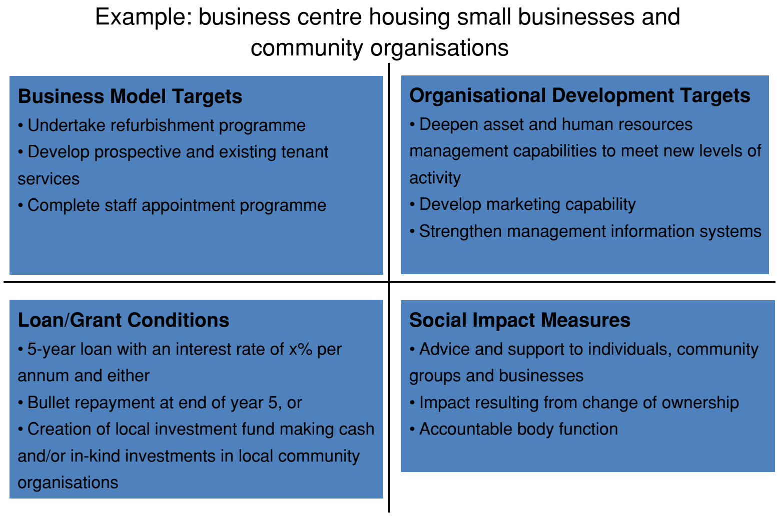

Fig. 6 A social enterprise scorecard (3)

results (i.e. the impact of their own work). The interviews in some cases revealed a lack of 'strategic grip' on the part of the interviewees, which was a major cause of concern for the ACF as a potential investor, and had to be addressed as a key requirement of the investment programme if the investment was to go ahead.

It is clear that the Scorecard has to be used flexibly, if it is to be of real value to investor and investee. Each organisation applying to the ACF was facing a unique set of issues, and these issues could change over the timescales of the application and the investment itself (if the applicant was successful). This is illustrated by the sheer number of modifications in most of the Scorecards, as the process proceeded to the ACF's final investment panel and then to inclusion of a Scorecard in each of the organisation's investment contracts. Another cause of comment from both investors and investees, as the process proceeded, was that there appears to be a lack of other 'baseline tools' for the evaluation of social enterprises—hence all participants found the development of the Scorecards to be a major task, partly due to its novelty for all concerned.

Discussion and Conclusions

A number of important discussion points emerge from the ACF case study. First, the design of the Scorecard itself, including the choice of the four quadrants, was highly problematic for the participants, and required significant thought and care. The scorecard needs to take a holistic view of organisational life, and of the perspectives of a diverse group of stakeholders. Social return is the prime concern for social enterprises, and must be emphasised. Financial measures must reflect a need for sustainability, and a move away from grant dependency, as well as the need to build the balance sheet to achieve independent revenue streams beyond government. Organisational development appears to correlate strongly with the conventional 'learning and development' box, but may also involve rather 'nuts and bolts' capacity building across the core organisational/functional areas. Under the heading of Business Model, it is valuable for social enterprises to think in terms of products, services, and markets. While such business-orientated language may be unfamiliar, the Scorecard can prompt valuable conversations around "what we do, who we serve, and how we make money out of it".

Next, having settled on headings for each of the four quadrants, the choice of measures for each quadrant was again fraught with difficulty. The challenge is around what measures are chosen, especially under the heading of Social Return. The authors believe that there is a need for the rigorous development of new measures for social return, and that this could be done in a number of ways. While it is tempting to seek to draw upon existing sets of performance measurement tools, it can be argued that no good ones exist for social impact. Therefore, one possibility is to draw upon qualitative evidence, for instance by holding focus groups to understand the impact of the work of a particular organisation. Other sources include insights from a range of stakeholders and practitioners, including market research and/or customer satisfaction data. Government targets must always be considered carefully, as the organisation's future funding may be linked to its performance on a number of key metrics specified by government departments. Above all, the performance measures chosen must represent a coherent and integrated set, e.g. highlighting to users the connections and inter-relationships across functional areas of the organisation.

A further level of complexity, once the key measures were identified, was the specification for each measure of the organisation's 'current position', 'near term goals' and 'long term goals'. The authors believe that the notion of highlighting connections via temporal links was an essential element of the new scorecard. Interestingly, experience to date suggests that the 'near term' or medium term snapshot provided by the Scorecard is the most valuable, allowing organisations and especially boards and senior executives to keep a 'strategic grip' in a period of rapid change and focus on those actions that have best chance of changing performance in the round.

The Scorecard work highlights that many organisations are relatively poor at tracking the outcomes of their own work; this can be a critical omission, not least because—as mentioned above—future funding may depend on evidence of impact. A related piece of work would therefore be to create outcome tracking tools—and these could be based on longitudinal international studies where possible. The goal of outcome tracking is to provide evidence of impact; how can an organisation demonstrate the different kinds of social impact that it is achieving? The next step would be to put monetary value on some outcomes, on a proxy basis. A further stage would attempt to assess monetary value across a wide range of outcomes on a more accurate reflection of unit value. A final stage would be ‘blended value’—the ultimate ‘bottom line’ bringing together all dimensions of value including financial return.

The conclusions of this work highlight the range of applications of the Scorecard, in due diligence, performance measurement and tracking over time. It is a valuable tool in supporting the investor’s initial decision regarding whether to invest in a particular social enterprise or not; it also provides valuable information in the area of on-going monitoring and evaluation of the investee. It can highlight a wide range of organisational issues that are central to risk management as described earlier, such as organisational capacity, financial performance, service development, and the ability to provide evidence of added social value. Hence it is a model that promotes planning and reflection within the organisation; it encourages learning, and a modification of existing theories through experience, and it provides a focus for strategic consultancy support from the investor. It is also important to stress its links with strategic management more generally; dramatising the gap between the organisation’s current position and the vision, and hence the importance of key short term interventions.

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