The Third Annual Social Enterprise Research Conference

22nd 23rd June 2006

London South Bank University

Title: 'Balance': The development of a social enterprise business performance analysis tool.

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Abstract: Social enterprise managers are challenged to constantly adapt to ever-changing environments; a balancing act requiring strategic reflection and analysis to achieve ongoing sustainability. Performance measurement through business analysis tools may offer organisations help in managing this process.

This paper outlines the development of a sector specific business performance measurement tool – 'Balance', grounded in the business practices of social enterprises after in-depth qualitative research. Drawing on Kaplan and Norton's Balanced Scorecard, and Kolb and Fry's organisational learning cycle as the conceptual framework, the paper explains how the tool was designed.

The paper analyses results of a pilot phase of 30 social enterprises utilizing the Balance tool. The research findings provide a snapshot of the business capabilities of social enterprises and by highlighting both strengths and areas where greater support may be required the research has both policy and practitioner implications. It is envisaged such a tool may therefore be a catalyst in generating stronger social businesses that capitalise on opportunities and generate change through offering viable alternatives to the private sector.

Introduction

Performance measurement and analysis conjures up visions of quantitative data, spreadsheets of financially derived statistics and images of owner/managers getting hot under the collar juggling numbers. This paper provides an alternative approach, where performance analysis incorporates an array of issues, mainly non-financial, involving self-reflection of an owner/managers own perception of where their organisation is now and where it wants to get to in the future.

Small Medium Social Enterprises (SMSEs) face challenges to constantly adapt to ever-changing environments; a balancing act requiring strategic reflection and analysis to achieve ongoing sustainability. Performance measurement using business analysis tools may offer organisations help in managing this process as well as highlighting areas of weakness and strength.

This paper is based on a research project, part funded through European Social Fund (ESF) which sought to investigate the higher level skills needs and learning provisions for SMSEs in the North West of England in order to support strategies for lifelong learning and organisational development. The project particularly focuses on understanding learning that occurs through experiential routes that are grounded in the day-to-day activities of the enterprise. It is felt that small business owners prefer to learn as informally as possible and therefore this was believed to be the most appropriate vehicle for delivering skills development within the social sector.

The paper builds on previous research (Bull and Crompton 2006) and outlines the current understandings and shortcomings of social enterprise management knowledge. Performance analysis and measurement tools are critically assessed, where the standpoint of such tools invariably come through the lens of large business ideology. The paper outlines an adaptation of the balanced scorecard (Kaplan and Norton 1996) performance measurement and management tool, integrating the notion of incremental learning development, utilizing Kolb and Fry's (1975) organisational learning cycle as the basis of the tool development. Incorporating a qualitative approach to performance and development as opposed to a quantitative one this paper details the design of an innovatory view of social enterprise and business performance measurement.

The paper discusses the findings of a pilot phase of research in to 30 social enterprises where the results provide a snapshot of the business capabilities of social enterprises. By highlighting both strengths and areas where greater support may be required the research has both policy and practitioner implications. The findings from the 'Balance' business performance analysis tool reveal social enterprises have similar organisational issues to that of other small businesses. However, some social enterprises were found to be more sophisticated and strategic. As expected, participative cultures existed and enterprises were strongly mission focused. There appeared to be a spectrum of social enterprise, at one end the 'social' driven organisation and at the other the 'enterprise' driven organisation, with a multitude of businesses somewhere in-between. Many SMSEs were slow to develop marketing strategies. SMSEs were reactive to stakeholder needs, rather than proactively marketing their social values or demonstrating their organisational effectiveness through quality marks, such as PQASSO. Fundamentally, SMSEs were experiencing the upheaval of changes to the funding opportunities of the market. Many were experiencing organisational change, where social performances were becoming more critical to the sustainability of their organisations.

The findings add considerable value to the development of the knowledge base of social enterprise. The tool provides insight and sheds light on the sector and it is envisaged such tools may therefore be a catalyst in generating stronger social businesses that capitalise on opportunities and generate change through offering viable alternatives to the private sector.

Shortcomings and performance measurement in social enterprise management.

'*Enterprising Communities: Wealth Beyond Welfare'* (The Social Investment Task Force 2000) states that the UK is enjoying more material wealth than ever before. Unemployment is at its lowest rate for 25 years, yet, conversely, the UK is challenged by concentrations of social isolation, worklessness, poverty and inequality in some areas. Social enterprises are heralded as catalysts for revitalising disadvantaged communities through employment, training and countering welfare dependency throughout the UK (OECD 2003b). However, despite the agenda for the sector, the Social Enterprise Unit (SEU – DTI 2002) identified some major barriers to the growth of the social business sector including poor understanding of value amongst stakeholders, tensions and conflicts in meeting both the financial and social bottom lines.

Research for the Small Business Service by Smallbone (2001) evidenced managerial shortcomings of social enterprises, stating that management skills, in particular: marketing, finance and decision making, amongst others, were difficult issues for the sector. Furthermore, research undertaken as part of the Government work on neighbourhood renewal, PAT (Social Exclusion Unit - Policy Action Team 3 for Business and Team 16 for learning), recommends that business skills, business support and sustainability are critical factors for successful social enterprises and that, whether serving social or environmental interests, social enterprise businesses will not necessarily thrive naturally and need structures to nurture and support them (PAT3:112). The Social Investment Task Force (2000), states that a lack of capital and managerial expertise is stifling entrepreneurialism within socially excluded communities and that these barriers need to be addressed in order to realise the potential of the people within these communities.

Whilst knowledge on the social sector is growing, business failures are reportedly a feature (Hines 2005). Hines explains the problems, for instance, the plethora of enterprises and business legal models contained under the social enterprise model are complex (some of which may be alleviated by new legal structures in time) and that there is still a gap between the theory and the practice of social enterprise. Concurrently, Haugh (2005) suggests the sector is under-researched and that robust evidence of the value of social enterprises' contribution to society remains illusive where management practices, skills and performance and business models are unclear.

This paper seeks to address the latter, highlighting managerial expertise in the sector through the design and development of a business performance analysis tool.

Performance measurement

Social enterprise managers are challenged to constantly adapt to ever-changing environments; a balancing act requiring strategic reflection and analysis to achieve ongoing sustainability. Performance measurement through business analysis tools may offer organisations help in managing this process. However, according to the Social Enterprise Partnership (2003), many social enterprises see impact measurement as a burden, rather than a source of competitive advantage or a useful management tool.

Fundamentally, performance measurement tools have been brought over from the business world, designed and created from the perspectives of profit based businesses (Speckbacher 2003). Such tools focus on large business models, where rationalization, resource maximisation, market growth and financial measures are highly sought-after (Garengo, *et al* 2005). However, much has been made of the differences between large and small businesses (Storey 1994; Scase and Gofee 1980; Jennings and Beaver 1997), small businesses are, more often, centred round the aspirations and ambitions of the owner/managers, are less driven by formality and lack the resources and requirement for structures as they employ less people. Dandridge (1979) and Wynarczyk, et al (1993) suggest small business owner/managers have less tolerance for inefficiency than larger organisations and they may adopt different business ideologies, ethics and organisational structures. Therefore, the transferability of business tools is a major consideration for SMSE's where the vast majority of performance tools have been designed through the lens of large organisations.

A second problem lies in the differences in social enterprise approaches. One of the inherent difficulties in the transferability of performance tools is how to include the measurement of social value, what it is, and indeed how to score or articulate social objectives in measurable and accountable ways. For many SMSEs, performance measurement and quantification are either economic indicators or unexpressed social values that are quite often intangible and difficult to quantify (Dees and Anderson 2003). The 'social' return may be reliant on notions of trust and mission value, unexpressed, immeasurable and unaccountable (Paton 2003). So how can a SMSEs be expected to demonstrate how successful they are through homogenous business models? Speckbacher (2003) comments:

‘profit as a single valued measure for success does not work because other output dimensions that profit measures do not capture are as important’
(Speckbacher, 2003).

A third issue is a question of resources; Thomas (2004) notes that the development of a comprehensive and reliable performance measurement system is potentially expensive, both in terms of generating data, staff time and investments in information technology. There are therefore both financial and human resource issues for social enterprises in instigating, analysing and implementing performance targets. There are the time constraints of busy managers and the instant access to information that organisations need at hand in order to input data into such systems which is off putting and laborious. All of which may not necessarily be seen to be essential to the success of the organisation, and reasons why performance measurement is considered a hindrance.

Fourthly, as Holloway (1999) points out, there is little empirical evidence to suggest that performance analysis tools have any real impact on the actual business practices of organisations. One of the issues here is in the objective/subjective standpoint in conducting business analysis, Thomas (2004) indicates inherent problems of perception and interpretation:

‘the performance captured by a particular set of measures will always be partial and contextual, reflecting the fact that the measures have been selected, analyzed and interpreted through the lenses of the organizations and individuals involved with the process’
(Thomas, 2004:11).

A fifth point as outlined by Pestoff (1998) suggests, ‘performance is a multifaceted, fluid, problematic, ambiguous and contested concept’ all further complicated by different sector and stakeholder perspectives - the case in point within SMSEs. Paton (2003) adds; the relevance of ‘mainstream’ management ideas and their adaptation to social enterprises demonstrates that performance measures are not the universal solution promised. Yet he offers some hope to those of us interested in performance, suggesting that performance tools are useful - but only in loose and variable ways.

An understanding of performance measurement is not as straight forward as hoped. The heterogeneity of small business and social enterprise add complexities and ill fit many concepts of performance measurement systems. This may go some way to understanding the limited use of business tools across the sector. It would also appear that little work has been done to alleviate the fears and provide tools that are not only specifically designed for the sector but that address the issues of time, resources and stimulation to engage owner/managers in taking performance tools seriously.

Balanced Scorecard

Kaplan and Norton's (1996) Balanced Scorecard (BSC), as shown in figure 1, has all the baggage of a business analysis tool brought over from large business – designed for 1990s manufacturing organisations the tool requires vast amounts of resource and management time and is highly complex. However, the BSC is one such business model which may come some way to alleviating the problems of economically focused measurement tools. The BSC is a multi-criteria strategic performance and measurement tool. The holistic approach to performance measurement steers away from economic indicators and incorporates various business issues within the framework. These are multi-criteria perspectives; 'financial', 'customer', 'internal processes', 'learning and growth' and 'vision and strategy'. Figge, *et al* (2002) state that;

"The concept of the BSC is based on the assumption that the efficient use of investment capital is no longer the sole determinant for competitive advantages, but increasingly soft factors such as intellectual capital, knowledge creation or excellent customer orientation become more important" (2002:3).

Figure 1: The Balanced Scorecard.

Furthermore, Kaplan & Norton have suggested that the BSC could be easily transferable to non-profit organisations. Morrison *et al* (2002) have also suggested that the BSC could be used as a learning pathway to shape strategy and the process of financial management practices in the SME sector. Deakins *et al* (2002) also calls for a modified balanced scorecard approach, refined for the small firm, to represent dynamic financial decision making processes influenced by environmental factors, including customers, creditors and suppliers. They present arguments that a more balanced and evolutionary approach needs to be taken that accounts for the qualitative aspects of decision making behaviour and learning by SMEs.

In light of the adaptability issues, two sector specific projects have provided some way towards progress; Firstly, Social Firms UK, constructed an on-line 'Dashboard' intended as an integrated management performance tool based on the principles of the BSC, but designed to be more practical and user-friendly. However it appears to be much more of an operational level tool than a strategic tool and is time consuming to initiate. Secondly; the New Economic Foundation in conjunction with SEP (Social Enterprise Partnership) GB Limited piloted the BSC to social enterprises. This research highlighted that the BSC needed to be adapted to the social enterprise sector by incorporating social goals, broadening financial perspective to focus on sustainability and customer perspective being widened to capture the larger group of stakeholders (Somers 2005:8)

The developments of the BSC highlighted above provide an understanding of how importing business models into social enterprise can be often challenging. The literature does however indicate the BSC is a potentially suitable tool for modifying an adaptation that incorporates the business approach of social enterprises; the multi-bottom line, multi stakeholder and social objectives within a multi-criteria model (Somers 2005). For the purpose of this research, the BSC model was selected as it provides a baseline analytical framework that has the potential flexibility for adaptation and its holistic/inclusive approach to business development as noted by; Deakins *et al* (2002); Morrison *et al* (2002) and Figge, *et al* (2002).

The problem of designing a performance analysis tool for the sector is a question of standpoint. Where it is indicative previous tools have looked through the lens of mainstream business models. The approach adopted here however began with a thorough investigation of the sector, the business practices and issues experienced by social enterprise business owner/managers. The essence of this investigation – see Bull and Crompton (2006), formed part of the grounded process in building a tool from the bottom up. The second part of the research is described here in detail.

Research Design

Stage 1

The first stage of the design began with a qualitative investigation of the business practices of social enterprises (see Bull and Crompton 2006). This time was used to build knowledge of the sector, meeting with owner/managers of social businesses, social enterprise stakeholders; sector support agencies and at the local, regional and national levels. Concurrently, a review of the current literature through academic and sector generated publications was carried out.

The literature review highlighted the use of performance management tools in establishing management practices within SMSEs. Evidence suggests that quantitative business analysis tools do not capture the heterogeneity of social enterprises and so are not readily transferable for socially aligned business users. Therefore the task in hand was to design a more qualitative, ‘soft’ analysis tool, which would be as robust as a statistically driven tool, but be more aligned to the sector and more user friendly. Value would be added where users would get direct benefit in a relatively short timeframe of engagement with the tool. Using a qualitative approach to developing a business analysis tool represents a move away from linear quantitative approaches in recognition of the complexities of organisational forms; such is that of SMSEs.

Stage 2

The literature search had identified the Balanced Scorecard (BSC), as discussed, which was chosen as a ‘loose’ framework to be adapted, whilst addressing the criticisms raised above and in recognition of the need for an easy to use business analysis tool. A grounded theory (Glaser and Strauss 1967) type process of coding and re-coding took place where incidents were identified and categorised. This thorough analysis identified key issues and emerging theory. Coding allowed the grouping of concepts and the identification of themes which were triangulated with the BSC framework. Utilizing a qualitative analysis software package, N’Vivo, to aid in the analysis of the data, concepts were massed around the business areas of the BSC framework (financial, customer, internal processes, learning and growth and vision and strategy). These groupings are referred to as nodes in the software. Having massed a number of issues around the five nodes, causal mapping software (Decision Explorer) was used to filter, link, structure and visually analyse the data into patterns.

Key subject areas were identified as critical factors for social enterprises across all the sections of the framework and the tool began to take shape.

The key issues identified across each of the sections led to more in-depth understanding in each subject area. This took us back to the literature and to further discussion within our networks before finalising the issues that we included in the tool. The final topics within each section of the tool are shown in the diagram below (figure 2).

Figure 2: The Balance Model and Topic Areas.

The following provides an overview of each of the sections and the issues and topics targeted by the tool:

Return: The Multi Bottom Line. This section was renamed from 'financial' in the BSC. The motivation or return for effort and investment is usually recorded in financial terms by the private sector in terms of 'profit margins'. However, in social businesses the motives and objectives for being in business are determined along very different lines. The philosophy of profit maximisation and market exploitation is replaced with an approach that strives towards strategies providing social or environment benefits. Social Enterprises therefore exist to provide help and support for a wide range of social and environmental reasons that 'give back' to society; hence, the 'multi-bottom line'.

The essence of this section focuses on social, environment and financial sustainability, the key issues highlighted during the analysis of the qualitative research were; budget and expenditure management; expressed organisational social/environment aims; the linking of issues combining social and economic accountability and performance issues, and finally questioning sustainability. These critical indicators encapsulate for social enterprise owner/managers the issues which they feel are indicative of the performance of their organisations.

A Learning Organisation: This section explores the social capital and knowledge of organisations. The title changed from 'learning and growth', as in the BSC, to move away from growth being connected with performance per se. This section questions the difficult to measure; learning culture, creativity, participative decision making, team working, leadership and continuous improvement as a means of assessing the capacity to capitalise on knowledge and learning opportunities, which were the critical factors which were fleshed out of the analysis of the interview data.

The Stakeholder Environment: This section was renamed to replace the 'customer' section in the BSC as the term 'stakeholder' is more representative of social enterprise, where many firms serve and satisfy multiple groups of people. These include end users, funders, communities and society as a whole. The section is essentially about marketing. The critical factors unearthed from the interview data analysis were an awareness of the stakeholder, competitor identification and awareness, image and identity, promotional activities, marketing budgets and importantly, the evaluation of the effectiveness of each of these practices.

Internal Activities: This section was slightly changed from 'internal business process' from the BSC to move away from processes, leaving it much more open as activities that are involved within businesses. The section is concerned with the working practices, structure and systems of organisations. Critical issues to social enterprise owner/managers were the internal structure, managing internal communications, quality, management systems, flexibility and adaptability.

And finally, Visioning: This is the last section in the model, which brings aspects within the tool together into a vision for a business. Critical issues for social enterprise owner/managers were concerned with how managers strategically engaged with business tools such as missions and business plans, and essentially how these plans are communicated to the various stakeholder parties.

Stage 3

The third stage of the development built on experiences from previous business analysis tools that were designed in the Centre for Enterprise, Manchester Metropolitan University Business School. Previous analysis tools were found to be beneficial to organisations in identifying weaknesses but the tools did not indicate how managers could take their businesses forward and make improvements. The challenge lay in an innovative approach of linking performance tools and learning. The development of the tool drew on literature that suggests that organisations evolve in cycles and patterns of development around incremental learning stages. Kolb and Fry (1975) states the stages are passed through in a learning sequence; each time an organisation develops and implements actions, a plateau is reached where reflection on what actions were successful or unsuccessful takes place. This provides an opportunity for learning, followed by development and a move to the next learning cycle. Critical to this development sequence at each juncture is an internalisation or settlement period of change. Change is brought about by many agents - internal and external factors, some crisis, others more incremental. One such incremental change agent may be provided by new knowledge. New knowledge is one of many agents that provide the impetus for taking actions and development within organisations. Taking both the learning cycle stage model and providing the change agent, i.e. new knowledge, the concept of the tool design evolved.

Therefore, in the tool owner/managers are provided with scenarios in order for them to reflect on where they feel their organisation is along the 1 to 5 scale. Through descriptive guidance and number scale at each scenario the owner/manager chooses the description that most suits their situation. For example, at stage 2; ‘we act as and when in crisis situations’, or at stage 4; ‘we have formal systems and structures in place’.

The way in which the tool was designed could then take the business stage of any organisation and build a performance assessment of current business practices. On completion of the assessment the software is developed to then show a histogram bar chart of the strengths and weaknesses across the 5 areas of the assessment (an example is shown in figure 3). This not only provides instantaneous results but also the notion of ‘balance’ across the areas of the tool. The learning sequence steps then offers managers knowledge, guidance, actions and potential solutions, at each stage, in the shape of an ‘action plan’ in order to develop their businesses to the next stage. This action plan was guided by identifying ‘best practice’ in the social enterprises interviewed, triangulated with management theory and sector specific literature. The complete action plan is approximately 30,000 words long, however, it is envisaged that owner/managers would only use the pertinent stage relevant actions at any one time.

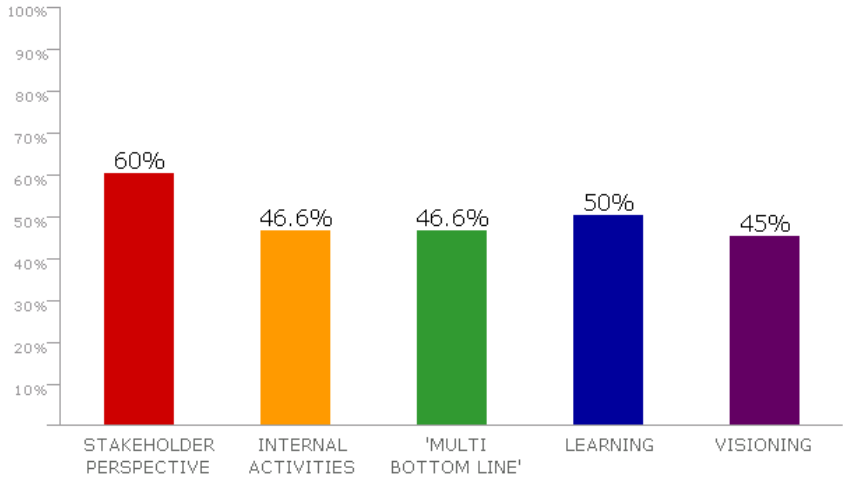

Figure 3: An ‘snapshot’ of example results

Usability

In essence the tool is an adaptation of the BSC framework, whilst taking advantage of the knowledge on incremental learning cycles. The outcome is a framework for owner/managers to use through self diagnosis. Bespoke to the social sector, the tool takes into account the heterogeneity of the sector, for example, the multi bottom line objectives (social, environmental, stakeholder, financial) and the participative management styles of leadership. Whilst having the structure of an assessment the tool benefits from offering managers a qualitative approach to business analysis and space for critical reflection - without the time consuming need for quantitative assessment through financial inputting and in-depth statistical analysis, hence the name for the tool ‘Balance’ (without the ‘scorecard’). The tool is also based on a strategic level, as opposed to the BSC which is at a more operational level. The action plan is therefore more pertinent to higher management needs and the strategic direction and development of the organisation. Through the tool the gap between theory and practice is bridged, adding value to the analysis by a three step approach;

1. Critical reflection; business analysis self assessment by the owner/managers, based on their own perceptions of where the organisation is at.

2. Organisations are provided with an instant “snapshot” of their particular strengths and weaknesses across the BSC performance concepts (finance, customer, learning, internal activities and visioning), generated by the software of the tool.

3. An action plan offering stage specific knowledge and suggestions for business development, growth and sustainability is provided.

It was foreseen that owner/managers would either self assess in isolation, or in consultation with their staff, management team, board of directors or sector support agents or advisors. With the tool being accessible via the internet it was also envisaged that owner/managers would engage with the tool better through their own computer systems, formats and layouts (self ownership) rather than the imposing structure of an advisors laptop, or other more cumbersome paper format.

Thirty social enterprises were approached to take part in the research, where two thirds elected to have me present – partly to fulfil the task, with busy businesses to run and partly to ease the confrontation of attempting to assess their business - within an hour. Some organisations gathered the board of directors together for the assessment but the majority elected either a single representative manager or management team.

The findings

Thirty interviews were conducted with organisations using the ‘Balance’ tool; findings drawn from these interviews are outlined in this section. Conclusions are then drawn about the critical issues for social enterprises and the strengths and weaknesses of the sector.

The Sample

The 30 pilot organisations were drawn from a cross section of social businesses across Greater Manchester and Lancashire. Of the sample 14 considered themselves Social Enterprises; 8 Community Enterprises; 5 Charities; 2 Co-Operatives and 1 a Social Firm.

The vast majority of our sample businesses were service orientated (see figure 4) and they operated across many sectors, in many ways. The categories here represent the main focus but many businesses crossed sectors, for example, one organisation provided therapeutic arts based courses for local people with mental health problems, linking their main activity -arts with health care, disability and community.

The enterprises were categorised as: Health and Social Care (4), Community (3), Environment (3), Arts, (3), Food and Drink (3) Employment (3) and Education (3).

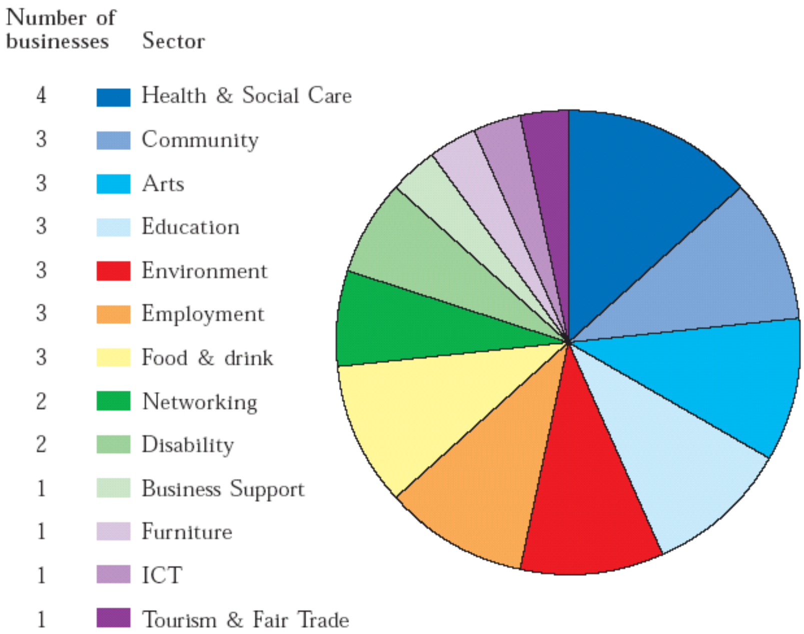

Figure 4: Sector Split.

Business Size, Income and Profile

The business size of our sample of social enterprises was established using various measures; the number of years the social enterprise has been established; its annual income; number of employees, and, number of volunteers. This profile represented in Table 1 indicates that the pilot included a diverse range of established, 'traditional' social businesses and younger social enterprises. The diversity of income ratio to the number of employees and volunteers to the number of years these businesses have been operating is also representative of a range of low asset base businesses and some more successful enterprises. Drawing on discussions within key networks suggests this is a true reflection of organisational diversity of the social enterprise sector in the region.

No	Established (Years)	Annual Income (£)	Employees	Voluntaries
Company 1	1	7,000	2	2
Company 2	15	1,144,000	30	25
Company 3	18	350,000	9	0
Company 4	11	136,000	36	6
Company 5	9	950,000	45	56
Company 6	2	84,000	7	4
Company 7	1	10,000	3	0
Company 8	0.3	25,000	4	5
Company 9	15	2,300,000	47	8
Company 10	20	258,000	26	25
Company 11	5	120,000	2	10
Company 12	10	675,589	8	1
Company 13	4	15,000	1	0
Company 14	1	100,000	2	0
Company 15	10	120,000	9	0
Company 16	18	450,000	45	0
Company 17	4	300,000	8	0
Company 18	1.5	30,000	3	0

Company 19	5	150,000	4	0
Company 20	1	30,000	1	15
Company 21	20	800,000	25	10
Company 22	1	20,000	5	0
Company 23	3	150,000	6	6
Company 24	3	6,500,000	250	30
Company 25	2	107,000	5	40
Company 26	9	3,500,000	38	0
Company 27	3	200,000	16	10
Company 28	4	20,000	7	10
Company 29	3	200,000	11	0
Company 30	25	30,000	3	20

Table 1: Business size, income and age profile.

The findings of the pilot study are discussed around the topic areas and sections of the adapted balanced scorecard (The Multi-Bottom Line; Stakeholder Perspective; Learning; Internal Activities and Visioning). The results are indicative of the opinions of a small sample of owner/managers to these issues, the analysis generalises to paint a picture of the social enterprise landscape (conscious that the sample may not be totally representative of the scene across the whole of the UK).

The Multi-Bottom Line

This section assessed the financial and non-financial approaches to measuring return/multi-bottom line in social enterprises. Table 2 shows the responses by managers. Many social enterprises suggested they were at an advanced stage in terms of these issues (mean values 24% of social enterprises at stage 3, 24.5% at stage 4 and 24.8% at stage 5). Most social enterprises are however seen to focus on; controlling budgets, conforming to funding led accountability and a focus on sustaining their funding. Owner/Managers felt they had reached higher stage level (4 and 5) in responses to Q1 on sustainability (47% at stage 4), Q2 on budgets (53% at stage 5) and Q3 on aims (37% at stage 5). This compares with the final two questions: Q5 on financial and non-financial organisational performance (23% at stage 2) and Q6 on social accounting (33% at stage 1). A third of managers skipped Q4 as their business focus was more socially than environmentally directed (double bottom lining, rather than multi bottom lining). The situation suggests social enterprises comply with funders requests for social impacts, prompted in order to comply with funding and contracting obligations. As opposed to concerted proactive, strategies in developing their own systems for measuring and reporting their social return for their investments. So the more sophisticated techniques of measuring financial and non-financial organisational performance and social accounting have yet to be taken up, or more so, taken forward to the stage where publishing both the social and financial elements of the multi bottom line are standard practices. This may be an issue of higher skills needs, or other resource issues beyond the scope of this section of the tool, which may be enlightened by other sections as we go through. Ultimately, neglecting to demonstrate social returns lacks transparency in business practice. Issues need to be addressed in the future climate for sustaining enterprises beyond immediate horizons, where the sector will inevitably have to become more market driven to survive in an open marketplace.

% of Social Enterprises at each stage of development.							
	The 'Multi-Bottom Line'	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	
Q1	Sustainability Focus	0%	7%	23%	47%	23%	
Q2	Controlled Budgets and Expenditure	7%	3%	17%	20%	53%	
Q3	Expressed Social Aims	3%	10%	27%	23%	37%	
Q4	Expressed Environment Aims	0%	17%	10%	17%	23%	*
Q5	Metrics for Financial and/or Non Financial Performance	10%	23%	20%	30%	10%	**
Q6	Social/environment Accounting	33%	3%	47%	10%	3%	
	Mean % at each stage	8.8%	10.5%	24%	24.5%	24.8%	
* = 33% skipped; ** = 7% skipped.							

Table 2: Pilot study results for the multi-bottom line.

Learning

This section assessed the commitment of organisations to learning through training, knowledge and organisational culture. Table 3 indicates managerial responses to questions about learning. The results from 'Balance' indicate the spread of formality in training and developmental issues (Q1): Many Social Enterprises have informal ways in which they manage this from ad-hoc practices, for example, on the job training (17% at stage 2) through to informal development plans (33% at stage 3). Very few managers indicated they had formal development plans (13% at stage 4), yet 33% (at stage 5) of managers suggested their approach to staff development encouraged a learning culture in the organisation through the provision of a wide variety of training opportunities. Overall, social enterprises suggested they were at an advanced stage across these issues. Higher levels are seen in Q2 (participative decision-making) and Q3 (learning through external knowledge) but lower levels were recorded for Q4 (creative and learning culture) and Q6 (continuous improvement philosophy).

The informal nature of the sector and the nature of learning within social enterprises is apparent. Social enterprises place an importance on networking and collaborations with other likeminded organisations – tapping into external knowledge avenues (Q3, 53% at stage 4) and other participative learning cultures (Q2, 37% at stage 5). Although it was suggested by many managers that they encouraged team working and participative decision making (Q2 – 37% at stage 5) the Balance results are therefore somewhat inconclusive.

Although many owner/managers attitudes are assuring and convincing, when it comes to the detail, there is less confidence and many are reluctant to reflect too deep for too long, ill at ease with the thought of the actual practices differing from their ideologies. Looking to Q4 (creative and learning culture) where the majority of scores recorded were quite evenly spread between levels 2 (33%), 3 (20%) and 4 (33%), – supports the previous argument. Organisations are suggesting participative environments exist, yet the learning environment is somewhat left to chance and unknown (Q6 - continuous improvement philosophy – 33% at stage2). The findings indicate barriers to the learning environment in some social enterprises. Yet conversely on mean average 62.3% of responses were recorded at stage 4 or higher for the overall averages of this section which is a strength area for the sector.

% of Social Enterprises at each stage of development.						
	Learning	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Q1	Commitment to Training and Development	3%	17%	33%	13%	33%
Q2	Encouraging Team-Working and Participative Decision Making	3%	3%	27%	30%	37%
Q3	Learning through External Knowledge	0%	0%	3%	53%	43%
Q4	Creative and Learning Culture	0%	33%	20%	33%	14%
Q5	Leadership	3%	13%	23%	27%	33%
Q6	Continuous Improvement Philosophy	3%	33%	7%	30%	27%
	Mean % at each stage	2%	16.5%	18.8%	31%	31.3%

Table 3: Pilot study results for learning.

Stakeholder Perspective

This section assessed the stakeholder or marketing issues; stakeholder focus, image and promotional strategies. These results indicate a wide spectrum of opinions. In Q1 (stakeholder focus) 40% (at stage 5) of our sample indicated that they were focused on stakeholder needs, suggesting that they are; ‘constantly knowledge sharing, changing and innovating in consultation with stakeholders’. Q2 (competitor awareness) shows that this type of knowledge is mainly informally gathered (47% at stage 3). Q3 (image) provides a further indicator of the general sense of informality to marketing; stage 2 (30%), stage 3 (47%) demonstrate that image and visual identity procedures and processed are informal. In Q4, 47% at stage 3 indicates organisations engaged with their market in a variety of ways; printed matter, websites, face to face, focus groups and conferences, etc. Managers point out that resources were usually available for these activities – yet in Q6 (evaluation) owner/managers reveal little reflection or any measurable indicators of how their marketing methods are successful.

The results indicate that marketing is an informal practice within social enterprises. This is comparable to how small businesses act towards marketing (Carson 1990; Carson and Cromie 1989; Hill 2001; Coviello et al 2000). Furthermore, the small business literature also indicates that many owner/managers perceive marketing to be 'what big businesses do' (Brouthers, et al; 1998), it could also be that social enterprises perceive marketing as acting too 'business-like'. A further argument also points, as in small businesses (Carson and Gilmore 2000), to the fact that marketing skills are scarce and that social enterprises need to develop their knowledge around the concepts and practices of what it is to 'do' marketing.

Ultimately, marketing activities link so many business practices, this low engagement with marketing also relates to other areas of the tool; promoting the social value (Multi-Bottom Line, Q5), producing social accounts (Multi-Bottom Line, Q6) and seeking accredited internal standards (Internal Activities, Q4) – tools that are generally used to market and promote organisations. This issue presents a barrier to social enterprises in a competitive environment where it is important to gain recognition, promote the right image, offer concise information and demonstrate a positive impression to all the stakeholders.

% of Social Enterprises at each stage of development.							
	Stakeholder Perspective	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	
Q1	Stakeholder Focus	7%	7%	14%	30%	40%	*
Q2	Monitoring Competition	10%	10%	47%	17%	13%	*
Q3	Visual Identity and Image	0%	40%	30%	7%	23%	
Q4	Promotion	0%	3%	47%	17%	33%	
Q5	Marketing Resources	3%	13%	37%	33%	13%	
Q6	Marketing Evaluation	13%	20%	27%	30%	10%	
	Mean % at each stage	5.5%	15.5%	33.4%	22.3%	22%	
*= 2% skipped							

Table 4: Pilot study results for stakeholder perspective.

Internal Activities

Internal activities, or operations, are concerned with the management of working practices and the structure and systems of the organisation. In terms of internal communications many owner/managers suggested they had informal systems (Q2 – 33% at stage 2). In terms of quality (Q3) the sample inferred basic quality policies (33% at stage 2 and 27% at stage 3). In terms of investing in accredited standards (Q4), social enterprises felt ambivalent towards attaining these types of standards (43% at stage 2) and although there were exceptions (20% at stage 4) these were predominantly PQASSO or IiP accreditations, as opposed to ISO standards of operations. Conversely, our sample indicated they were more fluid than structured; scoring high on adaptability, (Q6 - 50% at stage 3, 23% at stage 4) and flexibility (Q5 – 33% at stage 3, 30% at stage 4 and 27% at stage 5). The results indicate that social enterprise internal operation systems are similar to those of small firms, they are not driven by formal business structures the same as large businesses, and adapt and flex to market demands. The informality within social enterprises may however be an advantage, stimulating innovation, flexibility and adaptability; key strengths of businesses in environments that are in a state of constant change. There are issues here which cross over with the multi-bottom line section and the stakeholder perspective section where monitoring and performance management systems are under-utilized and may not be seen as strategically important to offering competitive advantage and market differentiation as would be expected of the private sector, as previously mentioned.

% of Social Enterprises at each stage of development.							
	Internal Activities	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	
Q1	Supportive Internal Structure	0%	10%	27%	40%	23%	
Q2	Managing Internal Communications	3%	33%	13%	27%	23%	
Q3	Managing the quality of internal activities'	13%	33%	27%	10%	13%	*
Q4	Management systems	10%	43%	13%	20%	7%	**
Q5	Flexibility	0%	10%	33%	30%	27%	
Q6	Adaptability	7%	10%	50%	23%	10%	
	Mean % at each stage	5.5%	23.2%	27.2%	25%	17.2%	
* = 3% skipped; ** = 7% skipped.							

Table 5: Pilot study results for internal activities.

Visioning

Visioning is concerned with the future: planning, strategy building and the communication of those visions. Table 5 indicates the responses by managers for this section. Overall social enterprises suggest they are well organised (mean = 41% at stage 4). The results from this section support the literature that suggests social enterprises are focused on vision (Understanding Social Enterprise – Social Enterprise London, 2001). High scores are seen in the questions on mission statements and strategies Q2 (43% at stage 4) and Q3 (50% at stage 4) communicating those visions. However, business planning (Q1) was something that many felt was either informal or that their plans were out of date (23% at stage 2), yet over 60% of owner/managers suggested they were either at stage 4 or 5 – using business plans and dove-tailing strategically across the business.

Finally, the 'Balance' analysis concludes with a question offering balance as an approach to managing organisations. Interestingly, 43% (at stage 3) and 37% (at stage 4) of owner/managers felt there was some truth in striving for balance – so coming some way towards a notion of balance. The conclusion picks up this point and reflects on the notion of balance being a concept worth taking forward for social enterprise organisations.

% of Social Enterprises at each stage of development.							
	Visioning	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	
Q1	Business planning	0%	23%	13%	33%	27%	*
Q2	Mission statements and strategies	0%	3%	17%	43%	37%	
Q3	Communicating the visions	0%	13%	23%	50%	13%	
Q4	Balance	0%	10%	43%	37%	10%	
	Mean % at each stage	0%	12.2%	24%	41%	21.8%	
*= 3% skipped							

Table 6: Pilot study results for visioning.

Summary

Overall, the findings suggest that many social enterprises scored their organisations around levels 3, 4 and 5 for most questions, peaking at, on average, 28% of the answers at stage 4. These findings imply that many social enterprises are well run and organised businesses. It would seem that social values are of benefit rather than hindrance to the development of many organisations. In terms of business-like practices, social enterprises vary from some very rationally structured and formal organisations to the majority which are more informally organised. Whilst the businesses were found to be at an advanced stage of the Balance tool, more needs to be done in terms of proactively utilizing the communication tools of businesses; marketing, promoting values and accountability, which all builds towards sustainability by attracting funders to the robustness of the firm.

In terms of general strengths of this sample of social enterprises we see that learning is consistently high scoring across these businesses. Training and development, participative decision-making and personal development cultures are generally in evidence here, as would be expected in this sector. There is also evidence to suggest that vision and strategy is another area of key strength within the sector, suggesting businesses are entrepreneurial and constantly focusing their organisations on the missions and aims of their existence.

In terms of general weaknesses and threats to these social enterprises, we see that there is a low uptake of management systems, from quality standards (internal activities) through to social accounting (multi-bottom line). There are a number of potential barriers or causes for such weaknesses. There may be resource issues – in terms of finances and human resources. There may be skills shortages or there may be inherent characteristics of the social enterprise that just don’t fit with the rationality of such systems. However, competitive tendering situations may play heavily on the indicators within such systems and social enterprises need to be aware of the missed opportunities by not venturing into these practices.

Conclusion

In conclusion there appears to be a spectrum of social enterprise, where at one end of the continuum is the 'need' or 'social' driven organisation and at the other the more 'enterprise' driven organisation. The need/social led business tend to focus on an informal organisational system, utilizing a loose business framework purely as a means to meeting the social/environment need. The enterprise led focuses on a structured business organisational system, embracing business logic and business – like methods and discourse to meet the social/environment/business need. Fundamentally, social enterprises need to be able to meet need, through resources that allows them to be sustainable. The resources for the sustainability of social enterprise are affected by an array of issues. Critically, accountability, transparency and marketing are attributes of developed social enterprises. The barriers many face are financial resources; capability and skills needs - especially high skills for management, especially financial/social management skills (more than simply (or maybe not so simply) financial management skills; people who also have the skills to manage the social return on investment); leadership of the management / board of directors and the drive they have for the organisation; market sector needs; communication and presentation skills, resources and marketing knowledge.

In considering the notion of balance (similar scores recorded across each of the issues within each organisation's response to the questions) results indicated that most organisations were well balanced (+/- 19.7% mean average Balance between the highest and lowest results). This appeared to be the case whether social enterprises were at a maturity level, of say, stage 2 or 3 – or whether they were at levels 4 or 5. Therefore the majority of social enterprises tended to have balance across the range of activities. The Balance model appears to fit with the sector and the underlying methodology of balance is a successful approach to take when analysing social enterprises.

All in all the social enterprise is challenged to take up the business challenge and wear the enterprise 'hat' and portray firstly, who and what they are, and secondly, to demonstrate that they are who they say they are. The dichotomy that spans the social to enterprise spectrum is a challenge that is being met, as seen in the Balance results, just how far, or how more sophisticated and accountable social enterprises will become may be decided by market forces where finances and competition dictate.

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