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ORIGINAL PAPER

Performance Measurement for Social Enterprises

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Abstract Over the past 20 years, the issue of performance measurement in Social Enterprises (SEs) has gained increasing relevance among researchers and practitioners. From an academic perspective, there has been an explosion in methodologies and tools for assessing social performance and impact, but with little systematic analysis and comparison across different approaches. From a practitioner perspective, SEs need to start measuring their performances in a systemic way, in order to support decision making and ensure accountability towards their stakeholders. In this context, this paper aims to contribute to the state of the art literature by developing an approach that could be applied to/by SEs to measure their results with respect to social, environmental and economic impacts. The proposed approach consists of a "general" PMS model for SEs—i.e., the performance dimensions that should be measured—and a stepwise method to be used by SEs to develop their own PMS. For sake of clarification, the proposed approach is applied to the case of an Italian SE competing in the energy sector to develop a set of key performance indicators.

Résumé Les vingt dernières années ont vu croître la pertinence donnée à la problématique de l'évaluation des performances des entreprises sociales (ES) par les chercheurs et les professionnels du secteur. Du côté universitaire, nous avons assisté à une explosion des méthodologies et des outils d'évaluation de performances et d'impact sociaux, toutefois peu accompagnée d'analyses et de comparaisons systématiques entre les différentes approches. Du côté des professionnels, les ES doivent mettre en œuvre une évaluation systémique de leurs performances afin d'aider à la prise de décision et de pouvoir rendre des comptes à leurs partenaires. Dans un tel contexte, cet article se veut une contribution à la littérature portant sur

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l'état de l'art: il élabore une approche applicable aux ou par les ES, visant à mesurer leurs résultats en termes d'impact social, environnemental et économique. L'approche proposée consiste d'une part en un modèle « général » de système de gestion de la performance (SGP) adapté aux ES, en d'autres termes, les dimensions de performance qu'il faut mesurer, et d'autre part en une méthode pas-à-pas destinée aux ES pour leur permettre d'élaborer leur propre SGP. Dans un souci de clarté, cette approche est appliquée au cas d'une ES italienne œuvrant dans le domaine de l'énergie pour développer un ensemble d'indicateurs de performances clés.

Zusammenfassung In den letzten 20 Jahren hat das Thema Leistungsmessung in Sozialunternehmen für Forscher und Praktiker zunehmend an Bedeutung gewonnen. Aus der akademischen Perspektive betrachtet gab es einen wahren Ausbruch von Methodologien und Instrumenten zur Messung der gesellschaftlichen Leistung und Auswirkung, jedoch gingen diese mit nur geringer systematischer Analyse und wenig Vergleiche zwischen den verschiedenen Ansätzen einher. Aus der praxisorientierten Perspektive müssen Sozialunternehmen ihre Leistungen systematisch messen, um ihre Entscheidungsfindungen zu unterstützen und die Wahrnehmung ihrer Rechenschaftspflicht gegenüber ihren Stakeholdern zu gewährleisten. In diesem Zusammenhang möchte die vorliegende Abhandlung zur neuesten Literatur beitragen. Dazu wird ein Ansatz entwickelt, der auf Sozialunternehmen anwendbar ist bzw. der von diesen verfolgt werden kann, um ihre Ergebnisse in Bezug auf die gesellschaftlichen, ökologischen und wirtschaftlichen Auswirkungen zu messen. Der vorgeschlagene Ansatz beinhaltet ein „allgemeines"Modell für ein Leistungsmanagementsystem für Sozialunternehmen, d. h. die zu messenden Leistungsdimensionen, sowie eine stufenweise Methode, die von den Sozialunternehmen anzuwenden ist, um ihre eigenen Leistungsmanagementsysteme zu entwickeln. Der Klarheit halber wird der vorgeschlagene Ansatz auf das Beispiel eines italienischen Sozialunternehmens im Energiesektor angewandt, das bestrebt ist, eine Reihe wichtiger Leistungsindikatoren zu entwickeln.

Resumen A lo largo de los últimos veinte años, el problema de la medición del rendimiento en las Empresas Sociales (SE, del inglés Social Enterprise) ha cobrado una creciente relevancia entre los investigadores y los profesionales. Desde una perspectiva académica, se ha producido una explosión en las metodologías y las herramientas para la evaluación del rendimiento y el impacto social, pero se han realizado pocos análisis sistemáticos y comparaciones entre los diferentes enfoques. Desde una perspectiva profesional, las SE necesitan comenzar a medir su rendimiento de manera sistémica, con el fin de apoyar la toma de decisiones y garantizar la rendición de cuentas ante sus partes interesadas. En este contexto, el presente documento tiene como objetivo contribuir al material publicado de vanguardia mediante el desarrollo de un enfoque que podría ser aplicado a/por las SE para medir sus resultados con respecto a los impactos sociales, medioambientales y económicos. El enfoque propuesto consiste en un modelo PMS "general" para las SE, es decir, las dimensiones del rendimiento que deben ser medidas—y un método escalonado que deben utilizar las SE para desarrollar su propio PMS (sistema de medición del rendimiento). Con fines de aclaración, el enfoque propuesto se aplica

al caso de una SE italiana que compite en el sector energético para desarrollar un conjunto de indicadores del rendimiento claves.

Keywords Social enterprises · Performance measurement system · Stakeholder involvement · Performance dimensions · Key performance indicators

Contest

Over the last decade, the phenomena of social entrepreneurship experienced an impressive growth in different countries (Defourny and Nyssens 2008). According to the European Commission, the social economy includes 2 million enterprises (i.e., 10 % of all European businesses) and employs over 11 million employees (i.e., 6 % of EU working population) (European Commission—Enterprise and Industry 2011). This growth was accompanied by a general belief that social entrepreneurship is a "good thing": social enterprises (SEs) have been proposed as a potential response to some critical problems of our society, with relevant impacts in term of social value creation (Thompson et al. 2000; Borzaga and Defourny 2001; Alvord et al. 2004).

At the basis of social entrepreneurship, there is the idea of transforming the maximization of profit and wealth creation—the final goal in the classical theory—in the means by which the "social entrepreneur" fulfills unmet social needs. Similarly, the social benefit which is the final goal for the non-profit system—becomes the true "business idea" which needs to be exploited, managed, and realized. Using a market-based approach, SEs incorporate commercial forms of revenue generation (creating economic value) as a mean to accomplish their social mission (creating social value). Profits and wealth creation play a role in the model, but they are the means used by SEs to achieve a social end, not the end in itself (Thompson et al. 2000).

As a result, SEs occupy a unique space within the economy and can be positioned between profit and not for profit (Alter 2004). Compared to profit organizations, they give a major importance to the social purpose. (Borzaga and Santuari 2003). Profit organizations generally give social and environmental goals a subordinate status to economic value creation and look at them either as constraints to firms' activities (e.g., normative requirements) or as means to increase profit (e.g., proactive sustainability strategies). On the contrary, for SEs, the final goal is the maximization of social and environmental value creation, and the success story is told by the "combination of social and financial performances". Compared to not for profit entities, SEs have to ensure their economic sustainability through market-oriented activities. Non-profit organizations generally focus on the achievement of certain results from a social perspective, without the objective of competing with profit companies on the market and funding their activities largely (though not only) through donations and public contributions (Austin 2000).

SEs, instead, design and sell a product or a service, creating synergies between the financial and social goal (Borzaga and Santuari 2003). Obviously, the simultaneous pursue of multiple different targets is a major challenge for these

organizations and SE managers have to continuously manage trade-offs between increasing productivity for financial gain versus increasing productivity for social gain (Nyssens 2010). Furthermore, the nature of SEs between the for profit and not for profit sector is reflected in their relationships with the system of stakeholders. SEs are participative organizations: groups of citizens, local trade unions, associations, local banks, municipalities are generally represented in the decision-making bodies and are integrated into all stages of the decision-making process (Borzaga and Tortia 2006; Emes 2008).

This hybrid nature of SEs makes the possibility measure their results and demonstrate their actual contribution to socio-economic development particularly relevant (Bull and Crompton 2006; Marks and Hunter 2008). Measuring SEs' performances could be helpful in the decision-making process, providing SE managers with the information necessary to guide their choices, and improve effectiveness and efficiency of business operations (Arena and Azzone 2005). Second, it could contribute to ensure accountability and transparency towards internal and external stakeholders (Arena and Azzone 2010) that include volunteers, employees, local community but also investors and banks that often are discouraged to invest in SEs due to lack of performance information (Young and Salamon 2002; Harding 2004; Alexander et al. 2010).

At the same time, performance measurement in SEs is not an easy task, because it requires the consideration of a variety of objectives and results for a heterogeneous set of stakeholders, sometimes with conflicting interests (Kerlin 2006). In addition, SEs are very much diversified since they operate in many different industry fields, including financial services, commercial services, agriculture, health and social services, with different organizational structures and connections with other profit and non-profit organizations (Alter 2004). This diversification can lead to different information needs, different expectations from stakeholders, and also different possible metrics for evaluating SE performances (Herman and Renz 1997), making difficult to define a unique framework that could be applied to any SE in any field/context.

Hence, this paper aims to contribute to the state of the art literature by developing an approach that could be applied to/by SEs to measure their results with respect to social, environmental, and economic impacts. The proposed approach consists of a "general" PMS model for SEs—i.e., the performance dimensions that should be measured—and a stepwise method to be used by SEs to develop their own PMS. For sake of clarification, the proposed approach is applied to the case of an Italian SE competing in the energy sector to develop a set of key performance indicators (KPI).

The rest of the paper is organized as follows: "Performance Measurement Systems: Origins and Evolutions" section briefly introduces the concept of performance measurement and highlights why traditional approaches originated in the accounting literature are not easily applicable to SEs. "PMS for Social Enterprises" section reviews the literature relevant to performance measurement in SEs. "The Proposed Approach: The PMS Model" section presents the PMS model, identifying the performance dimensions based on the literature review. "Stepwise Method for the PMS Design" section introduces the stepwise method, proposed to support a SE to selects its own set of KPIs and "The Approach in Action" section

presents the application of the method to Sun, an Italian SE competing in the energy industry. Finally, we conclude in "Conclusions" section, highlighting the contributions and limitations of this work.

Performance Measurement Systems: Origins and Evolutions

Performance measurement has originated in the business world, with performance measurement systems (PMS) being originally designed and created from the perspectives of profit-based businesses (Speckbacher et al. 2003). According to Neely et al. (2002), a PMS can be defined as the set of metrics used to quantify the efficiency and effectiveness of actions, though through the years, a progressive enlargement of the range of performance dimensions considered took place.

Roughly speaking, we can identify four main phases through which PMS has evolved (Bititci et al. 2011; Arena and Arnaboldi 2012). In the first phase, between the 1920s and the 1950s, PMS was focused on a limited decisional area—production—with specific attention devoted to cost/efficiency matters (Bititci et al. 2011). In the second phase, between the 1950s and the 1960s, PMS started to broaden its scope to divisional and departmental budgets, still with a specific attention to economic and financial performances (Otley 2003; Bititci et al. 2011). In the third phase, between the 1960s and 1980s, PMS integrated new performance dimensions: quality, time, flexibility, and customer satisfaction (Hayes and Abernathy 1980; Slack 1983; Kaplan 1984), leading to the emergence of the so-called KPI, which refer to measures aimed at monitoring companies' long-term success factors. At this time, in fact, the PMS literature made clear the existence of a link between performance indicators and company's strategy (Simons 1995), which became evident with the rise of the balanced scorecard and dashboards of indicators (Kaplan and Norton 1996; Norreklit 2000), relying on the idea of providing an integral view of company's performances, supported by financial and non-financial indicators (Pun and White 2005; Otley 2008). Finally, more recently, the PMS evolution signaled the need to move beyond the company boundaries, integrating the impact of companies' activities on a larger set of stakeholders (Marchand and Raymond 2008; Bititci et al. 2011). This trend led to the integration of indicators pertaining to environmental and social performances into the corporate reporting (Figge et al. 2002; Bagwat and Sharma 2007; Adams and Frost 2008; Arena and Azzone 2010).

Despite the evolution of PMS made available different tools and instruments able to capture a variety of performance dimensions, the adaptability of these approaches to SEs appears limited, due to some specific characteristics of these organizations. First, there is an inherent difficulty in defining, which is the performance dimensions to be monitored in the case of a SE. Given the differences highlighted above between SEs and profit and non-profit companies, the construction of a PMS for a SE should include a diversified set of performances, able to cover its multiple objectives, in terms of economic, environmental, and social performance. Obviously this poses some methodological issues, such as the inclusion of the so-called social value, that require to be defined on a conceptual level and translated into measurable

terms (Ryan and Lyne 2008). Second, SEs have a problem of resources. The development of a comprehensive and reliable PMS is potentially expensive, both in terms of generating data, staff time, and investments in information technology (Thomas 2004). In SEs, maybe more than other organizations, managers have time constraints and limited resources to collect and analyse data that should feed a PMS. Third, there is still little empirical evidence that performance measurement tools have any impact on the actual business practices (Bull 2007), due in particular, to the partial and contextual nature of a particular set of measures, which reflects the sensitivity of a specific groups of people/actors (Paton 2003; Thomas 2004). These specificities fostered the development of ad hoc tools for SEs, which attempt to take into account the key characteristics of these organizations and provide information tailored to their specific needs, as discussed in the next section.

PMS for Social Enterprises

This section provides a review of the literature on tools and instruments potentially relevant to deal with performance measurement in SEs. To this aim, two main groups of contributions were identified: (1) papers that provide specific approaches and instruments to measure performances in SEs (and organizations oriented to social objectives) and (2) papers that provide more general approaches and instruments to deal with the multiple informative needs of different stakeholders, in particular in the non-profit sector.

PMS for SEs as Multi-dimensional Systems

The first group of papers includes four main types of models for performance measurement in SEs: (1) adaptations of the balanced scorecard; (2) contingency PMS models; (3) PMS models that integrates the views of different stakeholders; and (4) SROI.

The first type of tools that have been proposed to measure SE performances refers to adaptations of the balanced scorecard (Kaplan and Norton 1996). Kaplan (Kaplan and Norton 2001a, b), Somers (2005), and Bull (2007) move from the original Kaplan and Norton's balanced scorecard trying to incorporate the consideration of different groups of stakeholders, for tailoring the above model to the specificities of SEs. Kaplan and Norton 2001a, b starts from the consideration that the mission of a SE represents the key element for which a SE should be accountable. Since the achievement of the SE mission can be monitored in the long-term only, the mission is deployed into the four perspectives of the traditional balanced scorecard, to define short- and medium-term targets and feedbacks (financial, customer, internal processes, learning, and growth perspective). Compared to the original model, in the SE case, the customer definition is expanded. In a private sector transaction, customers both pay for a good/service and receive it; in the case of a SE, those who pay for a service can also be donors and/or members, whereas other beneficiaries do receive it, leading to the choice of splitting the customer perspective into the donor perspective and the recipient perspective. Somers (2005) moves from the original

balanced scorecard model, developing the Social Enterprise Balanced Scorecard (SEBC). The author introduces three main changes to the original model. He adds an additional layer, introducing social goals above the financial perspective; the financial perspective is broadened to focus on sustainability (hence including environmental and social performances); and the customer perspective is widened to capture a larger number of stakeholder groups, distinguishing between those who pay for a service (donors, grant funders) and those who consume it (employees, beneficiaries and the wider community). Finally, Bull (2007) further adapts the original balanced scorecard model to SEs by partially modifying the four original perspectives into: multi-bottom line (dealing with synthetic assessment of financial, environmental and social results), stakeholders' environment, internal activities (related to structure, communication, quality, etc.), and learning organization (dealing with training and knowledge management).

Despite Kaplan, Somers and Bull's models provide a more comprehensive view of SE performances, these proposals do not fully capture the complexity deriving from their hybrid nature. First, they partially overlook the relevance of the social impact of SE activities—i.e., their long-term effects—which is linked to the private sector origins of the balanced scorecard (McLoughlin et al. 2009). Second, the enlargement of the customer perspective answers only partially to the informative needs of different stakeholders. The range of subjects that can be interested in the results of a SE is much wider compared to other organizations. Also the kind of information that is needed is generally much differentiated (Bourne and Walker 2005). Third, this is a static framework that does not consider how the relevant performances of an organization change during its life cycle (Brignall 2003). Finally, some of the proposed indicators are difficult to be measured, such as the indicators related to social capital and knowledge monitored in the Learning Organization section (McLoughlin et al. 2009).

The second stream of references includes three papers that propose contingency models that should be instantiated based on the specific characteristics of a specific SE. In particular, Bagnoli and Megali (2011) construct a map of indicators to measure SE performances, by considering three main dimensions: economic and financial performance, social effectiveness, and institutional legitimacy. Indicators should be associated to these dimensions based on the specific characteristics of an SE. Compared to the prior models, Bagnoli and Megali (2011) give emphasis to the issue of social effectiveness and institutional legitimacy that are "new" dimensions, not addressed in the previous approaches. However, similar to the adaptations of the balanced scorecard, it overlooks the existence of different information requirements coming from different stakeholders (Defourny and Nyssens 2008; Nyssens 2006). The second contribution that falls in this stream of references is the contingency framework developed by Ebrahim and Rangan (2010) specifically aimed at measuring social performance in social sector organizations. They propose a framework for assessing performances based on a process approach in which organizational inputs and activities lead to outputs, outcomes, and, ultimately, societal impacts.

In particular, the authors suggest that, given the variety of work, aims, and capacities of social sector organizations, some organizations should be measuring

long-term impacts, while others should stick to measuring shorter term results. Hence, they propose a logic for determining which kinds of measures are appropriate, as driven by the mission and goals of the organization, but do not formalize the set of indicators in a pre-defined system. Hence, this framework offers a way for SE leaders and managers to clarify what types of results they seek to achieve, and what they should be held accountable for. However, they overlook the participative nature of nonprofit organizations, which is common to SEs, and do not address how these entities could deal with different information requirements of different stakeholders.

The third stream of references includes approaches that start to incorporate the views of different stakeholders in the development of the PMS (Neely et al. 2002; Simmons 2003). Neely et al. (2002) propose the Performance Prism that starts with the question "Who are the organizations' stakeholders and what do they want and need?" Moving from this question, it covers different performance dimensions that respond to different stakeholders' interests, including aspects such as society and environment. Similarly, Simmons (2003) integrates stakeholders' management in performance management. It uses stakeholder analysis to determine the relevance of different stakeholders' perspectives and to establish a ranking of the aspects considered important to measure (Mitchell et al. 1997). Simmons based his model on the assumption that effective performance measurement must incorporate the views of stakeholders in the decision-making process. While the Performance Prism appears to overlook the notion of fairness, Simmons integrates this dimension but is limited to the definition of the dimensions of performance considered relevant by key stakeholders.

Finally, the last stream of references refers to a specific instrument that is the social return on investment (SROI) developed by the Roberts Enterprise Development Fund and tested by the New Economics Foundation (NEF 2007). This instrument is based on the idea of assigning monetary values to social and environmental results, quantifying in financial terms broader social benefits combining both quantitative and qualitative approaches (NEF 2007). The NEF's adapted approach focuses on four areas, the first is the stakeholder engagement, where the stakeholders' objectives identified are central to the SROI process. The second area is the materiality, where the analysis focus on the areas determined as important by the stakeholders. The third is the impact map that defines cause and effect chain from inputs through to outputs, outcomes, and impacts; developing a pathway to understand how the organization enacts change, thereby achieving its mission. Finally the appreciation of deadweight calculates the proportion of outcomes that would have occurred regardless of the organization inputs. SROI often relies on public spending figures to express in monetary terms positive externalities of SEs' activities. However, not all the impacts determined by SE activities can be translated in money, and this could be counterproductive, because the indicator can result in an underestimation of SE contribution. For instance, SROI does not capture the social value in terms of improvement of personal utility, i.e., quality of life of the beneficiaries (Beckerman and Pasek 2001). In addition, the methodology is difficult to apply, especially for small organizations that have not developed a specific expertise in relationship to monetary quantification

(McLoughlin et al. 2009). Finally, being a synthetic measure, SROI provides little evidence for understanding how and why impacts occur (McLoughlin et al. 2009), which makes it an inadequate tool for supporting managers in decision making.

Tools and Instrument to Deal with Multi-stakeholders Systems

The second group of papers refers to tools and instruments that, more generally, could support an SE to deal with the multiple information needs of different stakeholders. As previously discussed, SEs are characterized by a constant involvement of internal and external subjects in their strategic choices, actually leading to the need of configuring the performance management as a "negotiated outcome" (Haberberg and Rieple 2001). This specific feature raises the vital issue of understanding who are the stakeholders of the SE and how to achieve stakeholder consensus on the key performances of the SE—i.e., which are the performances that truly represent the views and the priorities of different stakeholder groups.

A possible answer to this problem can be found in the research streams related to the stakeholder theory (Freeman 1984; Donaldson and Preston 1995). The use of stakeholder analysis has become increasingly popular in different fields: management, accounting, marketing, human resources, health policy. The plenty of literature embracing this approach suggests that stakeholder theory allows the organization to consider a wider range of "groups" that influence organizational activities while earlier theories of the firm fail to consider all the relevant influencers. At a general extent, at the basis of the stakeholder theory, there are three interrelated premises. First, organizations have a number of stakeholder groups that affect and are affected by them. Second, the process and outcome of these interactions impact on specific stakeholders and the organization. Third, the perspectives of salient stakeholders have significance for organization strategy and operations. Moving from these premises, the stakeholder analysis aims to evaluate and understand stakeholders from the perspective of an organization, and to determine their relevance to a project or policy. In carrying out the analysis, key issues are represented by the interest, influence, interrelations, networks and other characteristics of stakeholders, with reference to their past, present positions, and future potential (e.g., Brugha and Varvasovsky 2000). Because of these characteristics, stakeholder analysis has also become the starting point for the development of different managerial tools that imply the incorporation of the stakeholders' perspectives (e.g., Polonsky 1995; Elias et al. 2002; Neely et al. 2002; Simmons 2003). Different strategies were formulated and enacted to maximize a stakeholder's positive influence and minimize any negative influence (Bengo et al. 2010). They include methodologies for stakeholder identification and management (Svendsen et al. 2002; Thomsett 2002); methodologies for stakeholders' categorization (Savage et al. 1991; Mitchell et al. 1997); methodologies for stakeholders' assessment and engagement (Cleland 1999; Briner et al. 1996); methodologies for mapping stakeholders' requirements (Fletcher et al. 2003; Veil and Turner 2002) and visualization tools (Bourne and Walker 2005).

As follows, we focus on two approaches that appear particularly useful in relation to the research objectives: Fletcher et al. (2003) that develop a process for mapping

stakeholder expectations based on value hierarchies and key performance areas (KPA), and Bourne and Walker (2005) that define a continual process of stakeholders identification, prioritization, engagement strategy for supporting the establishment of long-term relationships.

Fletcher et al. (2003) consist in the production of a stakeholder map that is a visual representation of the position of all the internal and external stakeholders. When all stakeholders are placed in their respective areas, it is possible to determine both the role/s played by each member, and understand their perspectives and needs.

The second tool is the Stakeholder Circle methodology, proposed by Bourne and Walker (2005). This tool consists OF three parts:

- The first step consists of the clustering of stakeholders in the categories. This exercise is conducted by workshops with individuals who are familiar with the constraints, and with the organization structure (and the organizational politics).
- The second step of the methodology consists of the prioritization of these stakeholders.
- The third step is centered on identifying, particularly for the top 15 stakeholders (previously prioritized), engagement approaches tailored to the expectations and needs of these individuals or groups.

The Proposed Approach: The PMS Model

As we mentioned in the introduction, the proposed approach consists of a "general" PMS model for SEs—i.e., the performance dimensions that should be measured—and a stepwise method to be used by SEs to develop their own PMS. In this section, we present the PMS model and in the next section we discuss how to implement the approach—i.e., the different steps and tools to create it.

In order to define the performance dimensions and build the framework, we moved from the literature review, integrating complementary contributions.

In particular, we defined the PMS model moving from the contingency model developed by Ebrahim and Rangan (2010) and tailoring it to SEs specificities. This model is based on three elements: input, output, and outcome. Input refers to the amount of resources used in performing a certain activity; output refers to the result of a transformation process; outcome refers to the long-term impact of the output on the external environment and impact that measure the effects on root causes, sustaining a significant change (Keystone 2008).

Based on the three above elements, three performance dimensions were identified, namely efficiency, effectiveness, and impact (Simmons 2003). Efficiency refers to the ratio between output and input; effectiveness refers to the output characteristics; and impact is a measure of the outcome and refers to the long-term effects of the output on the target community (Keystone 2008).

Using these elements as a starting point, we further elaborated the model based on the specific characteristics of SEs. In particular, drawing on Bagnoli and Megali (2011), we distinguished between management and social effectiveness. Management effectiveness concerns the extent to which an SE achieves the managerial

objectives defined in its strategic plan (Richard and Johnson 2001). Social effectiveness, instead, concerns the relationship between the SE and its stakeholders, and measures the organization's ability to meet the needs of its target community through the production of goods and services (Bagnoli and Megali 2011). Given the peculiar characteristics of SEs and the relevance of social effectiveness in relation to their objectives, this concept can be further specified into three sub-dimensions:

- Fairness, i.e., the ability to ensure access to products and services to vulnerable, disabled, elderly people, etc. (Perrin 1998; Smith 1995; Heinrich 2002; Simmons 2003);
- Involvement, i.e., the ability to ensure the participation of the relevant stakeholders in the decision-making process (Bengo et al. 2010);
- Communication and transparency, i.e., the ability to inform the stakeholders about SE activities (Arena and Azzone 2010);

Impact is a crucial dimension for SEs since it deals with the benefits or changes that happen in the community served by an SE, in term of their knowledge, skills, status, life conditions, values (NEF 2007; McLoughlin et al. 2009; Ebrahim and Rangan 2010.

Furthermore, considering the specific focus of SEs on the achievement of a social goal, the coherence between social mission and results must be measured (Kaplan and Norton 2001a, b; Bagnoli 2009), hence leading to the introduction of consistency variables. In particular, consistency can be referred to resources employed (input), products produced (output), and results achieved (outcome) that should be consistent with the mission of the organization (Bagnoli and Megali 2011) leading to the identification of three further dimensions:

- Resources value, i.e., the resources used to produce goods or services have to be consistent with the SE mission;
- Products value, i.e., the output produced have to be coherent with the social value expected from the SE;
- Results value, i.e., the final impact of the product or service produced has to meet the needs for which the SE works.

Finally, since SEs have to compete in the marketplace, like profit organizations, they have to pay particular attention to their ability to ensure their financial sustainability, leading to the introduction of the last performance dimension. SEs are organization—companies—that aim to provide social services, but they can accomplish this task only if they can ensure their financial viability to operate (Arena et al. 2009).

Figure 1 provides a visual representation of the proposed framework.

Stepwise Method for the PMS Design

After defining the performance dimensions relevant for a SE, we provide some guidance for supporting the design of the PMS, moving from the tools and

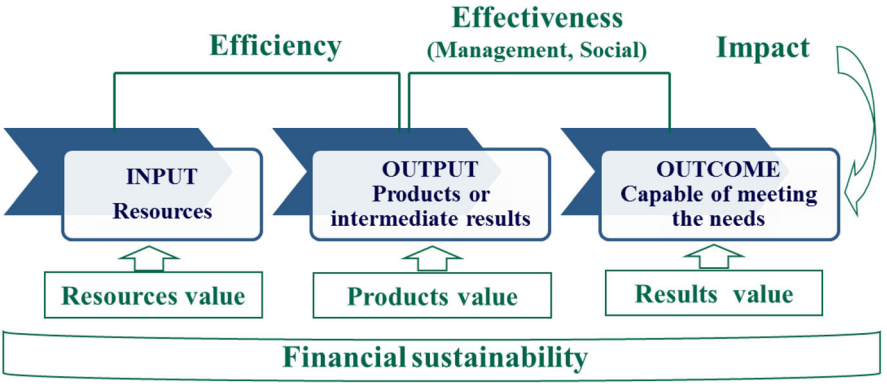

Fig. 1 The framework proposed

instruments proposed in the literature to deal with the information needs of different stakeholders. We propose a sequence of steps that could be followed by an SE (or eventually an external expert) in order to develop its own PMS. In particular we elaborated the approaches of Fletcher et al. (2003) and Bourne and Walker (2005), for guiding the selection of the KPIs (Bagnoli and Megali 2011; Ebrahim and Rangan 2010). The stepwise method is presented in the following figure that resumes the six steps to define the PMS (Fig. 2).

Step 1: *Preparation* In the first step, SE's managers, responsible for the development of the PMS (or an external expert), should map the available documents and internal records such as social annual report, organization chart, budgets, and company's accounts. The documental analysis should be completed with semi-structured interviews with the top representatives of the SE whereby to define: (1) the specific characteristics and the key features of the SE's processes; (2) the mapping of all internal and external stakeholders

Step 2: *Interviews—definition of stakeholders' information needs* In the second step, it's necessary to define the information needs of different stakeholders based on the analysis of different forms of reports already produced by the SE and directed to different stakeholders, and based on semi-structured interviews with key representatives of different categories of internal and external stakeholders. In performing the interviews, start with the top representative of the SE to be interviewed several times during the time-period of the project. Then address the internal stakeholders and finally interview the external stakeholders

Step 3: *Association* For each stakeholder, identify the performance dimensions most coherent with their information needs (in term of efficiency, effectiveness, impact, consistency, financial sustainability)

Step 4: *Construction of PMS* Finally, a set of indicators needs to be defined. It needs to be coherent with the specific context in which the SE competes, its characteristics and the information needs declared by its stakeholders.

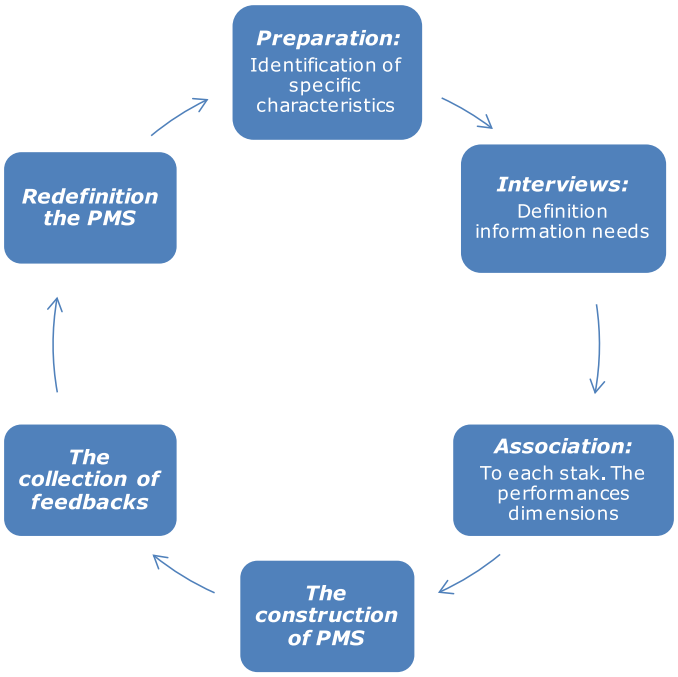

Fig. 2 The six steps to build the PMS

The list of indicators could include both quantitative and qualitative indicators, though its better attempt to focus on issues that could be quantified

Step 5: *Collection of feedbacks* The PMS developed have to be presented to key stakeholders of the SE, to collect their feedbacks and comments

Step 6: *PMS redefinition* Based on their comments the set of indicators has to be further refined.

We applied these steps to the Italian SE actual case.

The Approach in Action

In this section, we present how the proposed approach was applied to an Italian SE competing in the energy sector to design its PMS. For confidentiality reasons, a pseudonymous is used to refer to the company—Sun. As follows, we first provide an outline of the case setting, then we present how the approach was used to select relevant performance dimensions and define a set of KPIs, and we report the comments and feed-backs of their prospects users in connection to both the process and the results (i.e., the selected set of KPIs).

To support this process, data were collected from multiple sources to capture key dimensions of the problems analysed: structured interviews; semi-structured

interviews, official documents, and presentations; archives; direct observation and internal document usually not available to the public.

The key interviewees include Sun' director, the head of the research and development unit, selected members of the consortium, the directors of two banks currently financing Sun, six selected suppliers, the Mayor of the county where Sun is settled.

The Case Setting: Sun

Sun[1] is a SE with more than 2,500 members, operating in the north of Italy. Sun has 22 employees, and an annual turnover of about 4,000,000 euros. Sun's activities are articulated into three main business lines: energy production and distribution, telecommunications, and analysis of drinking water. For each of these activities, Sun aims to ensure to the members of the consortium rates lower than those applied to other national users, still ensuring to the company sufficient cash flows for making investments for continuous improvement.

As follows, we present a short description of the areas of activity in which Sun competes. The core business area is energy production and distribution. Sun owns two electric plants with four groups of turbines, and an extensive distribution network that covers different municipalities. In this area, the SE makes revenues from two main business activities: sale of energy and sale of green certificates. Since 2003, following the liberalization of the electricity market, energy producers were asked to produce at least 2 % of electricity from renewable resources mandatorily. Producers who do not reach this target have to buy a corresponding quota of green certificates from companies that exceed that target, as in the case of Sun. The second business line deals with telecommunication services. Sun is active in the construction and management of fiber optic networks. It offers telecommunication services, internet connections, and TV services to its members. Related to these two areas of activity, Sun has founded a company 100 % controlled by the consortium, up to research and development activities in the field of energy and telecommunication. The last business line, i.e., however, marginal compared to the previous ones, consists in the provision of audit services to the municipal water systems. In details, the consortium performs periodic controls aimed to verify the quality of drinkable water.

Preparation

Based on the analysis of the available documents, we identified a preliminary list of stakeholders that was refined and detailed through the interviews performed with the director of the consortium and the head of the research and development unit. Table 1 reports the full list of Sun's stakeholders, distinguishing between internal and external actors. They were further classified in relationship to their relevance

[1] Sun is Social consortium, that is one specific configuration of SE according to the Italian law (155/2006).

Table 1 Contingency framework developed by Ebrahim and Rangan (2010)

Inputs	Activities	Outputs	Outcomes	Impacts
What goes in	What happens	What results—immediate	What results—medium- and long-term	What results—effects on root causes; sustained significant change
Funds	Basic need delivered, such as food and shelter	People fed, treated, or housed	Improved living conditions, health, etc.	Sustained drop in poverty
Equipment and supplies	Services delivered, such as training programs	People trained or educated	Increased incomes	Changes in public policy and regulation
Knowledge and	Capacity building	Roads built	Enhanced political voice	Increased rights and political power
Technical expertise	Construction of infrastructure	Goods transported to market and sold		Fundamental changes in social norms and attitudes (on rights, freedoms, governance, and markets)
	Policy dialogues and workshop	Policy paper written		
		Coalitions and networks built		

Table 2 The map of potential "users" of the PMS

Stakeholder category	Stakeholder	Internal/external
Managers	Board of Director	Internal
	Director	Internal
Employees	Deputy Director	Internal
	Sectors Managers	Internal
	Workers	Internal
Funders	Members	External
	Banks	External
Customers	Members	External
	Private companies	External
	Private citizens	External
	Companies that produce not clean energy	External
	Other distributors	External
Suppliers	Optical fiber	External
	Other raw materials	External
	Solar panel supplier	External
	Telephone operators	External
	Network (connection broadband)	External
	Gas spa supplier	External
Beneficiaries	Local community	External
	Private citizens	External
	Environment	External
	Territorial associations	External
Community	Community and other municipalities	External
Government—public	Local government	External
	Public electricity supplier	External
Competitors	Other energy manufacturers	External

from a PMS perspective, based on the fact that they are potential "users" of the PMS and hence they could contribute to define Sun information needs (Table 2).

To deepen Sun's information needs, we focused on the following stakeholders: managers, members, funders, local community, suppliers, public officers, and other cooperatives related to Sun. Instead, we excluded Sun' competitors from the subsequent analysis, because the SE is the market leader and its competitors have no direct relationship with it.

Interviews—Definition of Stakeholders Information Needs

The interviews and the documental analysis allowed to portray the informative needs of different stakeholders' categories, highlighting the existence of a higher information exchange with the internal stakeholders than the external ones. As follows, we summarize the information needs of key stakeholders:

- *Managers* they are up to the enactment of strategies, set forth by the board of directors. Managers are responsible for the execution of daily operations and for investment decisions. These stakeholders resulted interested in a wide range of information, dealing with almost all the performance dimensions included in the model in order to guide their decision-making processes.
- *Members and local community* they are the beneficiaries/customers of Sun's activities. They influence the SE's managerial choices, because the mission of Sun primarily consists in meeting the needs of its members and the community where it works. The head of research and development underlined the relevance of the "trust relationship" (informant's words) between Sun and the members of the consortium: "Our customers trust the consortium more than a private company, they know that Sun was created to offer a service to its members and not simply to make a profit. This change things, this changes what they expect from us". Sun social base consists of over 3,000 members/customers who represent about half of the local community. Hence, the "role" of member/customer of the consortium resulted strictly intertwined to the "role" of member of the local community. These people do care of the quality of the service received but also of how it may impact the community positively and negatively. In term of performance dimensions, these stakeholders resulted interested mainly in management effectiveness, social effectiveness, and impact.
- *Financial institutions* when interacting with banks, Sun is evaluated on the basis of the same criteria used for other private sector organizations: "We do not have an easier access to credit because we are a SE. Banks are mostly interested in the company's solvency and we, like other companies, are assessed based on Basilea 2 criteria" (Sun Director). In a similar mood, the director of one of the banks currently financing Sun claimed: "A normal bank, like us, has to run its business. If there aren't guarantees, it can hardly finance a social activity" (Director of a Bank currently financing Sun). Hence, banks primary focus resulted to be financial sustainability, mainly due to regulatory constraints. This was also confirmed by the analysis of the periodic documentation sent to the banks, which deals with financial information. The only exception was a local bank that developed a ranking system specifically tailored to non-profit/social organizations: this bank was also interested in Sun's social effectiveness and impact dimensions. This can be explained considering that this bank is strictly related to the local community and, consequently, it is more sensitive towards initiatives with a positive impact on the territory.
- *Suppliers* Sun has a large number of suppliers, generally selected through public competitions. The selection criteria include reliability and quality/price ratio. Suppliers resulted interested in the financial sustainability of the consortium: "Obviously, we are aware of the role of [omissis] for this area, but we have to do business, hence we have to consider the financial solidity of our customers" (Supplier) and "Providers look at the consortium as to any other company. […] The local suppliers are pleased to work for Sun, because they have a substantial certainty of its financial sustainability and to receive the payments on time" (Sun Director).

Table 3 Sun—Performance dimensions relevant in relationship to each stakeholder category

Stakeholder category	Specific stakeholder	Performance dimensions
Manager	Board of directors	Financial sustainability
	Managers	Efficiency
	Head of business lines	Management effectiveness
		Social effectiveness (involvement, transparency, fairness)
		Impact
		Consistency (value of resources, value of products, value of results)
Members	Members	Financial sustainability
	Customers	Efficiency
	Municipalities	Management effectiveness
		Value of products
		Impact
Funders	BCC	Financial sustainability
	Other banks	Social effectiveness
	Members	Impacts
Suppliers	Suppliers of electricity, electrical equipment, and plant	Financial sustainability
		Value of resources
		Value of products
Local community	Area residents	Financial sustainability
	Local associations	Value of results
		Impact
Other cooperatives	Aper	Financial sustainability
	Federutility	Value of results
	Federation trentina cooperatives	Impact

- *Public administration* local municipalities are members of the consortium, hence their information needs are coherent with those discussed above. Other public bodies have just occasional relationships with Sun, as highlighted by the city Mayor: "Both my administration and the consortium aim to improve the living conditions in our territory, though there aren't formal relationships […] The presence of [Sun] in this area is certainly fundamental from an economic and social perspective, but there is no exchange of information between the City and the consortium" (Mayor). Hence no specific information needs were highlighted with respect to them.
- *Other cooperatives* finally, it is worth noticing that Sun belongs to several associations, which resulted interested in the activities of the consortium, though they do not have any direct influence on its policies. The only exception is a Federation of Cooperatives that certifies Sun financial report. In particular, this body resulted interested in financial sustainability and social effectiveness.

Table 4 The final PMS of Sun

Performance dimensions	Indicators	
1. Financial sustainability	1.1	Return on investment
	1.2	Total revenues
	1.3	Return on sales
	1.4	Cost of capital
	1.5	Increase rate in social capital
2. Efficiency	2.1	Energy production costs/total kWh sold
	2.2	Operational costs in the telecom sector/number of users
	2.3	Maintenance cost
	2.4	Hydroelectric turbines efficiency
	2.5	Solar panels efficiency
3. Management effectiveness	3.1	No. members/no. local families
	3.2	Increase rate of members
	3.3	Mean time between service request and technical output
	3.4	No. of service interruptions
	3.5	No. signaled malfunctioning
	3.6	No. of complaints
4. Social effectiveness		
Involvement	4.1	% Participation assembly member
	4.2	% Increase in social base than the previous year
	4.3	No. of initiatives for the local community
Transparency	4.4	No. of requests for bills clarification
	4.5	Amount and quality of public available documents
Fairness	4.6	No. of employees, divided by typology, contract…
	4.7	No. of new connections in areas not easily accessible
5. Social impact	5.1	% Employees/no. citizens
	5.2	C02 saved per year
	5.3	Local suppliers/total suppliers
	5.4	No. families connected to internet/no. local families
	5.5	Contributions to local associations/net Income
6. Consistency		
Value of resources	6.1	Actual cost of infrastructure
	6.2	Direct labor costs
	6.3	% Local workforce
	6.4	Funding composition
Value of products	6.5	Total kWh produced per year by source
	6.6	Km LAN
	6.7	% Satisfied requests of members by business line
Value of results	6.8	Spared barrels oil per year
	6.9	% Discount of Membership bills
	6.10	Increase no. of members connected to LAN

Association

Table 3 provides a synthesis of the performance dimensions that resulted relevant for different stakeholders' categories.

The above analysis clearly shows a polarization in the set of information considered relevant by each stakeholder. In particular, the funders are primarily interested in financial performances, funding composition, and impact. Beneficiaries are concerned with service quality, financial sustainability, and impact. Suppliers are mainly concerned about financial sustainability. The local community gives particular attention to social effectiveness and impact. On the other hand, the internal stakeholders are interested in a wider range of performances. They care of financial sustainability, impact, management and social effectiveness, and consistency of the results with the mission of the SE.

The PMS Construction, the Feedbacks Collection, and Redefinition

Finally, we built the PMS defining a set of indicators based on the Sun's features and the declared information needs of different internal and external stakeholders.

The result was a preliminary list of indicators, which was sent to Sun Director for approval. The Director validated most of the proposed indicators and provided useful feedbacks to complement them, suggesting the importance of integrating some indicators related to technological processes: hydroelectric turbines efficiency and solar panels efficiency. The final PMS comprises 38 indicators, specifically tailored to Sun's information needs (Table 4).

Conclusions

Over the past 20 years, the issue of performance measurement in SEs has gained increasing relevance among researchers and practitioners. From an academic perspective, there has been an explosion in methodologies and tools for assessing social performance and impact, but with little systematic analysis and comparison across these approaches (Ebrahim and Rangan 2010). From a practitioner perspective, SEs need to start measuring their performances in a systemic way. For organizational leaders and managers it is extremely important to clarify what sort of results they are trying to achieve. Indeed SEs leaders must often answer for different needs from different funders, beneficiaries, authorities, and other relevant actors. SE relies on different processes to build their legitimacy and credibility within their communities: from consultancy and participation in decision-making processes to participative monitoring and evaluation of third parties.

Hence, this paper aims to contribute to the state of the art literature by developing an approach that could be applied to/by SEs in measuring their results with respect to social, environmental, and economic impacts.

For this reason, the paper reviews the literature in relation to PMS for SEs and to models that can fulfill multi-stakeholders' needs. Based on the presented literature, it is proposed a PMS model which identifies what measurement dimensions are

relevant for a SE (financial sustainability, efficiency, effectiveness, impact). Compared to existing contributions, the proposed model adds a detailed focus on consistency as a crucial dimension for SEs, in order to ensure the compliance with their mission. Secondly a step-wise method is proposed to support the development of the PMS within the individual SE. The proposed approach has been applied to Sun as an application example, the Sun is an Italian SE operating in the energy sector.

From an academic perspective, the work represents one of the few attempts to make a connection among research on performance measurement in the for profit and non-profit and social sector. In this way the paper deploys some ideas and principles that originated in the for profit sector to the context of the SEs. Compared to prior research in this field, which was much more informed by the non-profit literature, this paper tries to integrate the approaches that originate in different contexts, coherently with the hybrid nature of SEs. To this aim, the paper moved by the strengths of available tools, exploiting them as a conceptual foundation for the development of the approach.

From a practitioner perspective, this work aims at developing a practical tool, to be implemented in these organizations. Most of available instruments are difficult to be applied to SEs, because of some specific difficulties that these organizations face in dealing with performance measurement, such as lack of resources, lack of competencies, lack of time (Social Investment Task Force 2000). The step-wise method proposed as an integral part of this approach, specifically aims to encourage SEs managers to reflect on their informative needs (and understand how to satisfy them) moving from the expectations and requirements of their stakeholders, enacting a learning cycle.

From this perspective, the proposed approach aims to be applicable to SEs that operate in different fields, thanks to the possibility of constructing the PMS based on the specific characteristics of each organization. However, it is worthy noticing that the quality of the results in relationship to the development of the set of indicators is directly dependent on the quality of the actors involved in building the PMS at the company level. Given the role played by the stakeholders, the effective completeness, reliability, and relevance of the set of indicators are determined by their actual participation and involvement. It is therefore important to make the selection and qualifications of the stakeholders to be involved in the process as transparent as possible.

Finally, we conclude with possible paths for future research. First, the proposed approach could be applied to SEs operating in different industries, to highlight similarities and differences and understand if a common framework can be put forth at industry level, for instance standardizing the information needs of different stakeholders. Furthermore, different subjects at international level [e.g., EU commission, social investment funds, and Foundation Strategy Group—FSG (2011)] are calling for the development of synthetic measures for measuring SEs value creation (Nicholls 2009), in particular, for supporting in quantitative terms the so-called "social impact investing" system (Simon and Barmeier 2010). The creation of a PMS is a first step in this direction, and future works can focus on translating the set of indicators into a synthetic measure.

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