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ESTIMATING SOCIAL IMPACT OF SOCIAL ENTERPRISES

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The accumulating social problems and inability of national and local governments to solve them in effective ways account for the growing popularity of such socio-economic phenomenon as social entrepreneurship (SE). SE can be defined as an activity whose main purpose is to make social impact (SI) and add social value to a society using principles and approaches of traditional entrepreneurship, such as business rigor, innovativeness, determination etc. Adding social value is associated with enhancing the livelihood and ensuring a sustainable well-being of individuals, communities and societies. Thus, social entrepreneurs are individuals exhibiting passion for improving the societal welfare and adding social value by making some entrepreneurial moves or investing in social innovation. Although any business can have a SI, social enterprises that represent practical implementations of social entrepreneurial ideas, are explicitly designed to create social value while addressing social challenges and are therefore expected to produce SI.

It is of a great appurtenance to measure the effect of the dealings of social enterprises. For many social enterprises the ability to secure funding for their social projects is the matter of survival, and impact investors want to be aware of the amount of SI they are creating. Giving them a clear view of how much impact is generated would definitely pace up or make their interest grow languid.

At the same time estimating SI is a challenging task, and many researchers of SE point out the deficiencies of methodologies for measuring SI, one of which is their complexity. Another frequently cited problem concerns the causal chain through which the activities of the entity are translated into results. In many cases the SI cannot be attributed to the social enterprise activities alone. Much broader range of external factors may contribute to the social change and should be taken into account.

One of the common methodologies currently used to measure and manage SI is Social Return on Investment (SROI). It measures the value of the benefits relative to the costs of achieving those benefits. Solórzano-García et al. criticize the SROI method questioning the logic on which the chain is constructed that converts the outputs into impacts and propose to filter the changes produced by exogenous factors, by introducing filter coefficients [1]. Such refinement makes it possible to get a more objective estimate of SI. However, the problem of developing a simple standardized methodology for measuring SI remains relevant.

References:

1. Solórzano-García M. Ambiguity in the Attribution of Social Impact: A Study of the Difficulties of Calculating Filter Coefficients in the SROI Method / M. Solórzano-García, J. Navío-Marco, L. M. Ruiz-Gómez // Sustainability. – 2019. – № 11. – P. 386-405.