

Prove, Improve...and Account!

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Proving and Improving has become a popular mantra for social enterprises since the phrase was neatly coined by the now ending Quality and Impact Project of the Social Enterprise Partnership GB. However the Prove and Improve mantra can overlook that other essential dimension of the process of social accounting: accountability – being accountable to our stakeholders.

Proving – the 360 degree picture

A distinguishing feature of social enterprises is that they have a distinct social purpose in that they are set up to achieve a benefit for the community. It is increasingly recognised that when we say “social purpose” we imply also “environmental” and “economic”. In trying to achieve community benefit, social enterprises will impact on people, on the environment and on the (usually local) economy. Social accounting is a process which allows social (and other) enterprises to understand what that “triple bottom line” impact might be. In this context “economic impact” is quite distinct from “financial performance”. That is about whether the enterprise is sustainable, generating sufficient income to survive, without which of course the wider social, environmental and economic value cannot be achieved. Financial performance is reported through the financial accounts while the social accounts focus on social, environmental and economic performance and impact.

Proving is therefore about demonstrating what the social enterprise has done and explaining the added-value of its work. It must be both about proving performance (did we do what we set out to do?) and demonstrating impact (what effect has that had?). In order to prove, it is essential to have clear social Objectives and to know what specifically we are planning to do (our Activities) in order to achieve those Objectives. Surprisingly social enterprises often have not articulated clearly their social (including environmental and economic) objectives. These are assumed to happen if the enterprise survives and they may be phrased in quite different ways for quite different audiences. Reflecting on objectives and clarifying them allows a social enterprise to be certain about just what it is it is trying to achieve. When one New Zealand enterprise went through that process some years ago they came to the conclusion that their original objectives had been achieved and the only objective left was just to keep going for its own sake – so they decided to close down!

With Objectives and Activities clear it is relatively easy to decide what indicators will be needed to explore performance and impact. A simple way of thinking about indicators is to consider what information you will need in order to write down a) some narrative describing what you have done with regard to each of your stated activities, b) how you can evidence that with

facts and figures and c) how you can explore with stakeholders what the impact has been on them and on the community in which they live. Gathering the facts and figures equates to your social book-keeping system. Seeking the views of stakeholders is about finding appropriate ways of asking the right questions in order to explore the perceived value of what you do, its relevance, whether it does lead to achieving the objectives originally set. No matter how “social” a social enterprise’s objectives are its social accounts should always report on its environmental practices and on its economic impact: that is the social accounting mindset for the twenty-first century.

Social enterprises are also driven by Values – those principles which determine what an organisation does and which guide the way it operates. Social accounts are not complete unless the values are clearly articulated (this is what we stand for) and stakeholders given the opportunity to reflect on how the organisation lives up to them.

Proving can therefore be seen as producing a 360 degree picture of what a social enterprise does in order to demonstrate its value to society. Proving is about showing and sharing that picture to all stakeholders. Sometimes “proving” is seen as a one-way street to those who hold the funds or issue the contracts (often the public sector). In fact proving should be about showing *all* stakeholders what has been done and what impact has been achieved, allowing each to make their own judgements and allowing the different values placed by different stakeholders to become apparent.

Improving

If proving is about showing others what we have done, improving is about seeing how we can do better. The information gathered to prove is exactly the information needed for this. That does not mean slavishly following all the suggestions made – indeed some will conflict and need to be talked and negotiated through. But it does mean using the facts and figures and the stakeholder feedback to understand if what we are doing is up to scratch and, if not, addressing the issues raised. It means not being afraid to acknowledge when Activities (and even Objectives) are out of date and need to be changed, or even dropped. It means understanding that sometimes what we are paid to do is not actually what we want to do or what our customers or clients require. It means understanding that we must first be clear about what we want to do and then, and only then, determine whether what contract-givers or other funding bodies want us to do is sufficiently coincidental to our Objectives.

Improving also means that social, environmental and economic performance must be carefully tuned in with financial performance. Without financial health and sustainability there will be no social, environmental or economic gain. But if the focus is just on financial performance, what is the difference to any private sector enterprise? This argues that for a social enterprise a business plan, which looks only at the financial (commercial) aspects disconnected from the social objectives, should be a thing of the past.

Instead there should be a Social Enterprise Plan – a document which demonstrates how the social purpose is to be achieved and how it is to be sustained by commercial activities. Regular social management accounts considered along with the financial management accounts will give continuous, integrated management information such that the social enterprise can not only better survive but also better achieve its social purpose. And the two together at the year end, after audit, combine to demonstrate the true worth of the social enterprise.

Accountability

It is also a key feature of social enterprise that they acknowledge at least a responsibility to account to their stakeholders. For many that includes a form of democratic structure which gives ownership and governance rights to the constituency which the social enterprise has been formed to benefit. Accounting to stakeholders can be achieved through the social accounting process as it creates channels of dialogue, and therefore accountability, with the wide range of key stakeholders. This gives them the opportunity to influence not only how the social enterprise performs but also what it does.

Accountability starts by acknowledging just who are the stakeholders whom a social enterprise affects, or indeed who can affect them. For most who go through the exercise to map their stakeholders it is an illuminating process which demonstrates that the enterprise affects far more people than it had hitherto thought, and makes the enterprise aware of how it might affect people unintentionally, by chance as it were. Understanding these relationships and learning to work with them becomes an important dimension of accountability.

The Social Accounting and Audit Manual

The Social Accounting and Audit Manual which has recently been published by the Social Audit Network (SAN) (and is reviewed on page xx) presents and describes the building blocks of social accounting as three discrete Steps, each with an inherent value and usefulness of its own. The interactive CD which accompanies the Manual includes a series of worksheets to assist a social enterprise tailor a social accounting framework to suit its own individual needs. The CD also includes sample questions and suggested ways of consulting stakeholders. The Manual and CD have been designed to serve both as a training tool and as a DIY kit.

The SAA Manual was developed as part of the Quality and Impact Project of the SEP GB Ltd (an Equal Programme). That Project facilitated the development of a number of different tools which may be used within a social accounting framework to explore various aspects of performance and impact. Those tools have been summarised in the Quality and Impact toolkit recently published by the New Economics Foundation. For further information visit: www.socialauditnetwork.org.uk; www.proveandimprove.org; and www.neweconomics.org

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