LAPPEENRANTA UNIVERSITY OF TECHNOLOGY
School of business
Accounting

Anne Ilmarinen

MEASUREMENT OF SOCIAL VALUE CREATION WITH NON-FINANCIAL MEASURES

1. Supervisor/Examiner: Professor Pasi Syrjä
2. Supervisor/Examiner: Professor Helena Sjögrén

ABSTRACT

Author:	Anne Ilmarinen
Title:	Measurement of social value creation with non-financial measures
Faculty:	LUT, School of Business
Major:	Accounting
Year:	2015
Master's Thesis:	Lappeenranta University of Technology 114 pages, 1 figure, 1 table and 1 appendix
Examiners:	Prof. Pasi Syrjä Prof. Helena Sjögrén
Keywords:	social entrepreneurship, corporate social responsibility, sustainable development, social return on investment, blended value

This research examines the concept of social entrepreneurship which is a fairly new business model. In the field of business it has become increasingly popular in recent years. The growing awareness of the environment and concrete examples of impact created by social entrepreneurship have encouraged entrepreneurs to address social problems. Society's failures are tried to redress as a result of business activities. The purpose of doing business is necessarily no longer generating just profits but business is run in order to make a social change with the profit gained from the operations.

Successful social entrepreneurship requires a specific nature, constant creativity and strong desire to make a social change. It requires constant balancing between two major objectives: both financial and non-financial issues need to be considered, but not at the expense of another. While aiming at the social purpose, the business needs to be run in highly competitive markets. Therefore, both factors need equally be integrated into an organization as they are complementary, not exclusionary. Business does not exist without society and society cannot go forward without business.

Social entrepreneurship, its value creation, measurement tools and reporting practices are under discussion in this research. An extensive theoretical basis is covered and used to support the findings coming out of the researched case enterprises. The most attention is focused on the concept of Social Return on Investment. The case enterprises are analyzed through the SROI process.

Social enterprises are mostly small or medium sized. Naturally this sets some limitations in implementing measurement tools. The question of resources requires the most attention and therefore sets the biggest constraints. However, the size of the company does not determine all – the nature of business and the type of social purpose need to be considered always. The mission may be so concrete and transparent that in all cases any kind of measurement would be useless. Implementing measurement tools may be of great benefit – or a huge financial burden. Thus, the very first thing to carefully consider is the possible need of measuring value creation.

TIIVISTELMÄ

Tekijä:	Anne Ilmarinen
Tutkielman nimi:	Yhteiskunnallisen yrityksen arvonluonnin mittaaminen ei-rahamääräisillä mittareilla
Tiedekunta:	Kauppatieteellinen tiedekunta
Pääaine:	Laskentatoimi
Vuosi:	2015
Pro gradu -tutkielma:	Lappeenrannan teknillinen yliopisto 114 sivua, 1 kuvio, 1 taulukko ja 1 liite
Tarkastajat:	Prof. Pasi Syrjä Prof. Helena Sjögrén
Hakusanat:	yhteiskunnallinen yrittäjyys, yrityksen yhteiskunnallinen vastuu, kestävä kehitys, social return on investment, blended value

Tämä tutkimus tarkastelee yhteiskunnallista yrittäjyyttä, joka on melko uusi liiketoimintamalli. Viime vuosina yhteiskunnallinen yrittäjyys on kasvattanut suosiotaan yritysmaailmassa. Kasvava tietoisuus ympäristöstä ja konkreettiset esimerkit yhteiskunnallisen yrittäjyyden luomista vaikutuksista ovat rohkaisseet yrittäjiä ratkaisemaan yhteiskunnallisia ongelmia. Yritystoiminnalla pyritään oikaisemaan yhteiskunnan epäkohtia. Yrittäjyydellä ei välttämättä tavoitella enää pelkkää voittoa vaan liiketoimintaa harjoitetaan yhteiskunnallisen muutoksen aikaansaamiseksi tuotoilla, jotka liiketoiminnalla hankitaan.

Menestyksekäs yhteiskunnallinen yrittäjyys vaatii erityistä luonnetta, jatkuvaa luovuutta ja vahvaa halua tehdä yhteiskunnallinen muutos. Se vaatii jatkuvaa tasapainottelua kahden suuren tavoitteen välillä: sekä taloudelliset että ei-taloudelliset asiat tulee huomioida, mutta ei toistensa kustannuksella. Samalla kun yhteiskunnallista tarkoitusta tavoitellaan, liitetoimintaa on pyöritettävä korkeasti kilpailluilla markkinoilla. Molemmat tekijät tulee siis integroida organisaatioon tasavertaisesti, sillä ne ovat toisiaan täydentäviä, ei poissulkevia. Liiketoimintaa ei ole ilman yhteiskuntaa ja yhteiskunta ei voi pyöriä ilman liiketoimintaa.

Tässä tutkimuksessa käsitellään yhteiskunnallista yrittäjyyttä, sen arvonluontia, mittaamistyökaluja ja raportointimenetelmiä. Tutkimuksessa käydään läpi kattava teoriapohja, jota käytetään tukemaan tutkituista yrityksistä esiinnousseita havaintoja. Suurin huomio kiinnitetään Social Return on Investment –konseptiin, jonka pohjalta esimerkkiyrityksiä analysoidaan.

Yhteiskunnalliset yritykset ovat enimmäkseen pieniä tai keskisuuria. Tämä luonnollisesti asettaa rajoitteita mittaristojen toteutuksessa. Resurssikysymys vaatii eniten huomiota ja näin ollen myös asettaa suurimmat haasteet. Yrityksen koko ei kuitenkaan määrittele kaikkea – liiketoiminnan ja yhteiskunnallisen tarkoituksen luonne täytyy aina huomioida. Missio saattaa olla niin konkreettinen ja läpinäkyvä, että kaikenlainen mittaaminen olisi joka tapauksessa hyödytöntä. Mittaristojen toteuttaminen saattaa olla suureksi hyödyksi – tai suuri taloudellinen taakka. Näin ollen ihan ensimmäinen asia, joka täytyy tarkoin harkita, on mahdollinen tarve arvonluonnin mittaamiselle.

ACKNOWLEDGEMENTS

I wish to thank my supervisors, Professor Pasi Syrjä and Professor Helena Sjögrén, for all the help and guidance during this process. Thank you for sharing your knowledge and contacts around the research topic. I would also like to thank Ari-Pekka Saarela, the managing director of Annanpura, who willingly gave his time for discussion about social entrepreneurship. I am grateful to all who shared their thoughts and ideas for improving this research.

Thank you to everyone who supported me during my studies. Special thanks to my loved ones for all the help and support I received over these years.

Lappeenranta 14.6.2015

Anne Ilmarinen

TABLE OF CONTENTS

1 INTRODUCTION

1.1 Background

This research discusses about the fairly new business model, social entrepreneurship, its value creation, measurement tools and reporting practices. In order to be as effective and successful than profit-making organizations, need social purpose organizations be highly innovative in creating reporting practices and measurement systems, as they are not as developed and extensive than the measurement systems for financial reporting. Furthermore, the whole measurement and reporting processes are much more complex as social and financial value creation and their evaluation need to be combined. New reporting innovations seek to consider both value creation approaches as equal in organizations' strategic planning. (Nicholls 2009, 759)

Despite the challenges that undeveloped measurement systems and reporting practices cause for the business activities, there are more and more social entrepreneurs. This way of doing business has growth its popularity along with changes in the world and in people's way of thinking. This can be seen as one of the major reasons why this topic, social entrepreneurship, is worth of research.

To begin with, the concept of social entrepreneurship is quite new. So far in the studies the main focus has been on defining the concept instead of finding the ways and explanations how to assess and measure this kind of approach to do business. Strategic management in a social enterprise cannot follow exactly the same pattern than in profit-making organization, at least not if the intent is to succeed. (Syrjä et al. 2013, 2) The explanation for this may be quite simple: objectives of these business models vary from each other. While there are plenty of ways to measure and report financial value creation, practices of measuring and qualifying social impact of business operations remain undeveloped and rare. This can be seen as a clear gap of research; how the social value has been measured so far among social entrepreneurs and how it could be measured? What elements and aspects need to be considered when trying to create non-financial measures? And finally, how the measurements and reporting practices of two kinds of value creations can be combined in order to get a fair view from the effectiveness and success of social purpose organization's strategic management? Strategic changes are impossible to implement if the company's actual position is unknown or the measurements and management tools have been flawed. Additionally, the allocation of resources cannot be as efficient as it could be. The key thing is the planning that cannot be overemphasized; it needs to be based on the social mission and on the pursuit of it. Mission ignored in the planning phase is mission ignored as a whole.

1.2 Social entrepreneurship and the importance of its performance evaluation

Social entrepreneurship is "a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs" defined by Mair & Marti (2006, 37). It is viewed as an attempt and a willingness to achieve change by combining resources differently. Social entrepreneurship figures out yet unknown possibilities through social changes by innovative people with new ideas and ways to resolve and respond to social market failures and problems. Social enterprises are driven by a social purpose instead of profit maximization; they operate kind of in the third sector. These third sector enterprises fall between for-profit and non-profit organizations. Social entrepreneurs "recognize when a part of society is stuck and provide new ways to get it unstuck" – entrepreneurial talent is focused on solving social problems (Drayton 2002, 123-124).

Social enterprises operate for a social purpose. They seek to achieve a positive social and environmental change. However, any purposes cannot be achieved without economic success. (Haigh & Hoffman 2012, 126; Tracey & Phillips 2007, 265-266) In addition, as they are operating in the same markets than for-profit organizations they need to be prepared to compete. The social purpose needs to be integrated seamlessly with a clear business proposition. (Nicholls 2009, 756-

757) The management of a social enterprise has multiple goals and values to deal with, and this requires an efficient integration of business and social matters of society. Closing the gap between them is one of the most difficult challenges for management to overcome. (Drayton 2002, 126-127; Gonin et al. 2012, 22) The status of a social enterprise does not give any preferences in the competitive market and this is the reason why their financial and social objectives need to be in balance and they must be considered in an appropriate way. By establishing financially sustainable foundation gets the opportunity “to create long-term solutions to long-standing social challenges”. (Luke et al. 2013, 234-235)

Social enterprises’ objectives have the aspects of for-profit objectives that are typical for the private sector. However, the primary focus is on producing community or public benefits that traditionally are associated with the public sector. Although social enterprises also seek to do well financially, the ultimate purpose is to address social objectives by commercial activities. These pursued social objectives are covered by profits and surpluses that commonly are reinvested in the business for this purpose. (Gonin et al. 2012, 5-6; Lawrence et al. 2012, 319; Luke et al. 2013, 235, 237; Moss et al. 2011, 805)

In order to establish financially sustainable operations, performance needs to be measured effectively. However, the effectiveness demands planning and planning demands resources. Many of social enterprises are small to medium sized, which causes practical challenges; the lack of resources forces them to choose a priority, as everything cannot be covered. The resource allocation is not unambiguous. (Luke et al. 2013, 234-236)

In spite of the sector in which company operates, of the form of organization and of the performance measure applied, the fundamental principle is to identify and evaluate realized outcomes. Additionally to dual functions of social enterprises (demands to fulfill both for-profit and community benefit objectives) they need to meet requirements also for two groups of stakeholders, both external and internal. The need for relevant and reliable information sets the performance measurement into the important position. While external stakeholders expect assessments and reporting to be transparent and comparable, internal stakeholders demand information on which to base rational and strategic decisions. The performance evaluation is then extremely significant for social enterprises. However, as approaches to measure it, and especially effectively, remains in the early stages, dual functions and various requirements makes it even more challenging. And, if relying too much and without any doubts on existing measurement tools made for profit-seeking organizations, there is a significant risk that evaluated and reported information remains symbolic without the substance in it. Measuring only because of the need to measure is not enough but relevance and decision-usefulness of chosen measures need to be ensured. (Haigh & Hoffman 2012, 131; Luke et al. 2013, 235-236; Tracey & Phillips 2007, 266) The development of performance measurement systems is seen crucial also simply for the reason to be able to gain and maintain present and future stakeholders' interest towards social entrepreneurship. The impact of made investments needs to be clearly allocated and results need to be concretely defined. Otherwise stakeholders do not get any visible coverage to their investments. (Volkmann (Eds.) et al. 2012, 179)

Even though the purposes of social enterprises are similar to each other, approaches and means to achieve the goal and evaluate performance may vary; it depends on the stage of social enterprise. For instance, to an early stage social enterprise, which has recently been established and typically relies heavily on grant funding and internally generated profits, the approach of reaching financial viability is far more important than reaching profitability. Without being financially sustainable organization become quickly unable to serve their purpose: a social mission. Thus, long-term viability is a central objective and a prerequisite for the whole business. (Luke et al. 2013, 237-238)

The interesting point of view lies in the fact that several enterprises measuring and evaluating social impact are keen on the results because of the desire not to find new market opportunities but developing organization's current services in order to offer the best possible value for existing customers. The undertaking evaluation and impact measurement is thus seen as a way to grow organizational learning that, in turn, advances organization's internal knowledge of client satisfaction.

Performance evaluation and the communication of outcomes to all organizational levels support staff motivation and development, which is obviously seen as a huge benefit. (Barraket & Yousefpour 2013, 453-454)

1.3 Previous research

The previous researches concentrate heavily on finding descriptions and definitional issues for determining social entrepreneurship. For example, Dacin et al. (2010) have gathered a wide range of definitions of social entrepreneurship and entrepreneurs from different studies of various researchers. In addition, they also discuss distinctions among types of social entrepreneurs. The type of enterprises can differ along their missions, processes and resources available to allocate to a social entrepreneurial context. Among others, definitional issues have also been discussed, for instance, on inquiries of Mair & Marti (2006) and Kickul et al. (2012).

One significant researcher on the field of social entrepreneurship is Alex Nicholls who has presented the topic also beyond definitional issues. He has made plenty of studies, either alone or with someone, concerning social value creation: how to measure and report it. One major research of his studies concerns the blended value accounting, where he presents "an exploratory analysis of the emergent reporting practices used by social entrepreneurs in terms of their institutional settings and strategic objectives" (2009, 755). He presents reporting practices that take into consideration impacts and outcomes that result also from social and environmental aspects. He argues that reporting practices which account only for financial performance is not enough while other factors affecting the real position of organizations are excluded. The blended value is one of the core concepts in social entrepreneurship. The creation of blended value accounting has arisen to cover the issues of integrating social and financial value creation.

The study of Jed Emerson (2003) holds a significant position as well within the topic 'blended value'. In his research Emerson points out many issues concerning the concept of blended value from reasons up to the consequences and finally to the challenges possibly faced when tracking performance of a Blended Value Proposition. He mentions that in recent years corporate CEOs have increasingly been discussed the social and environmental performance of their firms as a part of their strategy in order to increase the total value of their companies. He describes currently the two most common business models (for-profit corporation or nonprofit organization) pointedly that “we want to either make money or give it away”. However, as the value of organizations cannot strictly be measured with financial indicators it should be considered that return on investment does not serve only financial interest. It is rather a value proposition of both social and financial interest of which “the blended value proposition” results from. Thus, between two traditional perspectives falls the third perspective which takes a part from both surrounding perspectives; it is operating neither on a pure financial market nor pure social market but social capital market where “social return on investment” (SROI) is considered as much as is the financial metric “return on investment” (ROI). Entrepreneurs of the third perspective, social entrepreneurs, are seeking to do both well and good. In order to be able to do both, and for being able to confront the possible challenges, also Emerson demands the organization’s ability to be innovative. Though, it needs to be remembered that embedding the Blended Value Proposition to the organization’s strategy is not enough; its effective execution requires from the organization’s management a deeper corporate vision and a willingness to carry through changes.

Michael E. Porter and Mark R. Kramer approach the question of value proposition from the different point of view. According to them the concept of shared value eventually aims to achieve even better economic success. They point out that companies are trying to achieve shared value not because of a social responsibility but because of a finding that it has been shown to be a new and effective way to get a better economic and competitive market position. Thus, the ultimate purpose is still to create economic value but in a way that also serves solutions for societal problems, needs and challenges. Social value creation is directly related to economic value creation, for example, through customer satisfaction. If trying to optimize short-term financial performance at the expense of societal good it may work temporary but does harm to long-term customer relationships that fundamentally is the guarantee of organizations' economic success. However, regardless of the tight integration between societal and economic value creation – that benefit both companies and society – understanding of the potential of shared value is still quite limited and at the stage of sorting it out. Porter and Kramer remind also that government regulation has a huge impact on organizations' desire to develop and follow the concept of shared value. If the regulations are designed and implemented too strictly they may work against the social benefit and increase the trade-offs between economic and social goals. (Porter & Kramer 2011, 62-65, 74)

The research "Measurement as legitimacy versus legitimacy of measures" of Luke, Barraket and Eversole also has an important role in covering the purposes of this study, and it is a recent paper, published in 2013. The emphasis on quantifiable performance measures among social enterprises is growing and the purpose of Luke, Barraket and Eversole's research is to review it. Especially the quantifiable performance measure "Social Return On Investment" (SROI), its opportunities and challenges, are considered more deeply. The study discusses whether social enterprises receive benefits as much as investments in performance evaluation have cost to them. In pursuit of efficiency it is vital to focus on the legitimacy, relevance and decision-usefulness of these measures. The chosen approach to performance evaluation needs to be more about measuring value rather than valuing measures; only the symbolic meaning remains if organization fails to gather the information of substance. (Luke et al. 2013, 234-258)

As the study of Luke, Barraket and Eversole, the research of Barraket and Yousefpour (2013) discusses also about the challenges and benefits in impact measurement. Barraket and Yousefpour's action based research's purpose is to examine the challenges that small to medium sized organizations face in evaluating their performance and in measuring the impact. Perceived benefits are also analyzed. Finally, organizations' internal effects of learning resulting from evaluative activities are specified.

The main focus for organizations used to be the profit maximization. However, among today's entrepreneurs the goal increasingly is to change the world through business ventures – a mere economic success is therefore not enough. Combining social and business objectives is not though straightforward. Tensions and challenges arised from it cannot be avoided. Decisive factor is, therefore, how entrepreneurs will succeed in managing them. The management of social-business tensions is central to the success of social enterprises, and the study of Gonin et al. (2012) gives the keys and ideas to implement it successfully.

Running a social enterprise is complex due to the fact that two types of objectives need to be pursued instead of just one. Combining the social purpose with financial goals creates challenges that are avoided in traditional for-profit organizations. Measuring created social value is not as straightforward as it is when dealing with financial indicators. Therefore, Social Return on Investment (SROI) Analysis has been created. It enables to meet the requirements of better recognition of the value creation and it supports social enterprises to communicate better and more transparently their social impact to their stakeholders. Previously the social impact has been outlined in a large extent from measurement tools and reporting systems. To cover this outlined area the framework of SROI has been created, which is comprehensively presented in the article of Byrne & Brennan (2009). They have created a guide to Social Return on Investment. By implementing the SROI process successfully it enables better understanding of the value creation as a whole by incorporating all three aspects – economic, social and environmental.

1.4 Purpose of the study and research problems

The purpose of this research is to explore means to measure the value creation of a social enterprise with non-financial measures. By researching some concrete examples the purpose is to find out the tools that have already been connected to this gap of research and find out the ways that different aspects have been integrated. When trying to resolve the research problem, the core issue is to consider the impact of the tools and systems that have already been used for a long time to cover and reorganize managerial problems and financial issues. By integrating existing methods to new aspects and techniques, new management tools and measurements can be created.

This research focuses on finding ideas and ways to measure social value creation by leaning on the aspects that are already offered by the management tool of Balanced Scorecard. When considering social impact reporting, the framework is sought from the aspects of Corporate Social Responsibility. Perhaps the greatest indication of social reporting can be found from Global Reporting Initiative that is a published guideline for corporate sustainability reporting for aiming at encourage companies to consider also social and environmental issues while trying to maximize their profitability. Global Reporting Initiative (GRI) emphasizes the significance of social and environmental sustainability when trying to achieve economic sustainability.

Today's organizations' corporate reporting responsibility is more extensive than it used to be in the past. Social and environmental issues have gained growing importance alongside customers' and stakeholders' growing awareness and interest of non-financial aspects. That is the reason why companies need to become more open with their operations and business plans. So, to meet the needed requirements it is not enough from companies simply to report their financial performance; social impact reporting is a required, and significant, part of the whole reporting completeness. More importantly, this demand leads to the purpose of this study; how to measure social value creation as nothing can be reported if not measured.

Below is the specified research problem that this research aims to cover.

- Social impact reporting: what should be reported and how should it be presented?

The issue of reporting is the major thing to consider when communicating organization's social mission to stakeholders and society. To begin with, effectively measured but poorly reported information is useless. Second, if an organization does not manage to give a true and fair view of its both financial and non-financial performance, stakeholders cannot make their decisions based on actual information. Thus, the financial position as well as the results of the pursuit of organization's social mission must be reported in a fair view.

The following research problems have been created to support the main problem presented above.

- How the existing measurement tools apply the purposes of a social enterprise?
- The balance between financial and non-financial measures?
- How the demands of an organization's various stakeholders affect on what is reported?

To specify the first supporting research question the study discusses about in which extent the existing measurement tools can be applied in the new context. Additionally, by researching the existing methods and their usability and by focusing on the particular and typical aspects of a social enterprise this study aims to find out some significant and fresh ideas and points that should be taken into account when seeking effective performance evaluation.

One major thing is to find out the best combination of financial and non-financial measures in organization's measurement legitimacy and this is considered with the help of the second supporting research question. It is not irrelevant whether the results obtained are based on qualitative or quantitative measures as long as both non-financial and financial information serves organization's purposes and is needed. Even though measuring social value creation is the most significant aspect for a social enterprise, qualitative measures alone are not enough; any social purposes cannot be achieved without a proper financial base. Thus, pure financial measures cannot be ignored.

By considering the third supporting research question the importance of listening stakeholders’ demands is brought out. As social enterprises need to cover various purposes and achieve several goals from various areas, they also need to serve a wider group of stakeholders than profit-seeking organizations. Stakeholders’ diversified objectives will bring their own challenges for social enterprises. Reported information needs to meet everyone’s requirements.

1.5 Research method and data

This research is carried out as a qualitative study. As a basis, a qualitative research aims to describe the real life and its operations and actions. Reality cannot arbitrarily be broken into pieces because the purpose is to aim at research the subject of qualitative study as a whole, if possible. (Hirsjärvi et al. 2005, 152) Also Alasuutari (2011, 38) discusses that the data used in qualitative research needs to be considered and observed as a whole, and qualitative analysis requires the kind of absoluteness that differs from quantitative analysis. This means that all issues related to qualitative research need to be able to be explained in a way that they do not contradict with the presented interpretation.

The data for the theoretical part of the research is gathered from a variety of different sources. The theoretical part is strongly based on scientific researches and journals. The empirical part is built of concrete examples from managerial sources. The purpose is to gather different issues and aspects from various cases and by combining them to discover new thoughts and possible ways to measure social value creation. The purpose is to find out how the previous management tools are utilized and what new aspects and guidelines could be considered to be valuable in measuring and reporting social value.

1.6 Structure of the research

This research contains four main sections and each of them is divided into various more specific topics. The research begins with the introductory section that is an introduction to the topic including the purpose of the research. Also the previous significant researches and their results are presented in the introduction that leads to the presentation of the research gap for this study. The main research problem and its supporting questions are presented and the key concepts are defined. Additionally, the method of the research is presented. The second section is the theoretical part, which is gathered on the basis of scientific researches and journals, and is a base for the empirical part and finally for the analysis of the results. In the third section, in the empirical part concrete examples are observed, researched and compared as a basis for the new aspects and guidelines for measuring social value creation in social entrepreneurship. Finally, in the fourth section, conclusions and summary of the research are presented. At the very end the reliability of the research is evaluated and some suggestions for the future research are discussed.

2 THE FIELD OF SOCIAL ENTREPRENEURSHIP

2.1 Background

The theoretical basis of the research topics are discussed in this section of the study. The concept of social entrepreneurship was presented already in the introduction. From now on, the concept and its meanings are discussed more widely and in more detail. Different kinds of concepts are emerged from already existing measurement tools and reporting systems, which are thought to have useful features for the measurement of social value creation in third sector organizations.

To begin with, the management tool of Balanced Scorecard is under discussion. More specifically, the role of it in organization's strategy is analyzed focusing on small and medium sized enterprises. Due to external forces, however, the continuous adaptation of the organization is required. Once created framework cannot be valid for good without any changes – therefore also long been used Balanced Scorecard has received a new, greener aspect. Changes in environment require changes also in measurement and management tools.

At present the social and environmental responsibility have a significant meaning in all types of businesses. The responsibility for the environment and for the whole society is quite extensive also for profit-making organizations; even if the organization runs its business without a defined social purpose, neglecting these type of responsibilities can have far-reaching consequences that may reflect in organization's financial success. Therefore the issue to consider in this section is the concept of Corporate Social Responsibility (CSR) and its impact on success. Among corporate sustainability reporting guidelines the most well known, Global Reporting Initiative (GRI), is presented. Amongst other things and recommendations, GRI offers a framework for more transparent sustainability reporting. The research examines how the willingness of reaching sustainable development acts as an effective incentive of organizations to implement CSR and GRI.

The third issue to consider more closely is the entrepreneurship in social sector. Running the business in social sector differs from running it with a purpose of profit maximization, however, the markets are the same which means that also social enterprises need to be prepared to compete. Therefore the issues to consider may be more complex and extensive for social enterprises; financial reporting is not enough but it needs to be combined with social impact reporting. Thus, reporting requirements are considered from different perspectives. Similarly, the performance evaluation sets special requirements on social enterprises. In addition to establishing financially sustainable foundation, also the social objectives need to be constantly taken care of – and vice versa. Therefore the field of performance evaluation is more extensive in social sector than it is in pure business sector. Evaluating the performance is extremely important as nothing can be improved without an analysis from the past operations. For social enterprises the performance evaluation occurs as if they were running their business in a new context. Though, there are plenty of issues to overcome – the question of limited resources among others.

The idea of investing for social purposes may be straightforward but measuring the value resulting from it tends to be more complex. When considering the tools to measure the benefit delivered for society, Social Return on Investment (SROI) has received the most attention. Therefore its theoretical base is discussed already in this section. The concept of Blended Value is presented as well. The Blended Value Proposition emphasizes the fact that economic and social value creation need to create a consistent combination – the fact that is one of the most important facts to internalize in social enterprises.

The effective use of financial information in small businesses is not self-evident. In some cases investments to produce it are not sufficient, but in some cases the available resources do not even allow to make any investments. The use of financial information in small businesses is discussed in this section. Lastly, the tensions emerged from social-business management are considered.

2.2 The role of Balanced Scorecard in organization's strategy

Economic growth is measured by financial metrics. This used to be the only truth and way of thinking. Straightforward. However, as operation environment changes organizations need to change; as people change, people need to change. Customers need to be served the way they want to be served, and this rarely happens only focusing on the short-term financial goals. At well succeed companies the first thing in mind is not the profits but key drivers (Fortune 2013a). Thus, the best self-interest is achieved by thinking about more than just self-interest. Long-term profitability is much more than short-term profits; organizations need to understand what is really driving their success. (Kaplan & Norton 1996a, 2)

Managing just by the financials does not give any information about the whole scene of entrepreneurship; necessarily it does not even guarantee better financial results. Focusing just on these hard values, information is provided only from the past. The future direction remains unknown, and even worse; concentrating only on financials may hide organization's real potential. (Fortune 2013a; Kaplan & Norton 1996a, 21)

Balanced scorecard is one of the widespread management tools that enable organizations to consider also other aspects in entrepreneurship than just so called hard values. Success requires more: soft values are equally important. Simply, before being able to manage, it need to be measured. Balanced scorecard gives the possibility to consider also that side of the entrepreneurship. (Kaplan & Norton 1996a, 21)

The concept of balanced scorecard was introduced by Kaplan & Norton (1996b, 75) to provide companies the better ability to exploit intangible assets. The ability to invest in and manage physical assets has lost its importance while competition has become more based on information. With the framework of balanced scorecard organizations are able to do both observe the financial results and build the capabilities in order to manage the intangible assets the best possible way in consideration also of the future growth that cannot be ignored under the pressure to deliver excellent short-term success. Balanced scorecard should be seen as a complement for financial metrics, not as a replacement.

The framework of balanced scorecard consists of four perspectives: financial, customer, internal business process, and learning and growth. These perspectives cover values also beyond traditional value creation: profit-making. It is seen as a whole strategic management system that provides organizations with tools to link short-term operations with long-term goals. (Kaplan & Norton 1996a, 22-23, 29-32)

Balanced scorecard is a tool for a company to translate its vision and strategy into a selection of means to put them into practice. It provides a framework for a management system. (Kaplan & Norton 1996a, 2) Good strategy is always behind the successful performance. Though it is much easier to create one than implement it in line with expectations. Commonly it is not even a question of formulating a great strategy but badly defective implementation (Fortune 2013b). In order to avoid the gap between strategy and its implementation, strategy needs to be clearly understood all the way down with long-term drivers of success at all levels of organization. Understanding of both shareholders' and customers' needs is important. A common problem in strategy implementation is that strategic planning to create it, resource allocation to realize it and budgeting to do it effectively are not integrated. Thus, business planning is one important process supported by balanced scorecard. However, nothing can be improved if not learned from feedback. In order to keep up with competition changes need to be made constantly. Once the strategy is launched it may work faultlessly but over the time it is likely to lose its validity along with the changes of the environment. Balanced scorecard gives the possibility to know at any point in strategy implementation whether it is really working and if not, why. (Kaplan & Norton 1996b, 75-84)

Strategies should be a sustainable way to create value. Though, major problem is that strategies change but methods to measure them do not. Another problem concerns the lack of the knowledge of intangible capital. In the current economy, as it is one of the most significant competitive factors it needs to be measured just as financial values. In other words, the whole strategy needs to be measured, and balanced scorecard's all objectives and measurements are based on the vision and strategy of the organization. Balanced scorecard is a strategic management tool which usage improves probability to implement a strategy successfully. (Kaplan & Norton 2002, 2-4)

One major thing is to ensure strategy's integration with day-to-day activities. Operational targets and strategic objectives need to be integrated by the system. Additionally, the system needs to consider and assess both financial and non-financial aspects. Essentially, the key issue in organization's business activities should be fulfilling customer's requirements. Due to four perspectives of balanced scorecard, and the idea of setting strategy in the middle, all these demands can be met. Different perspectives allow companies to recognize their priorities and perceive various stakeholder as well as customer demands. Eventually, all these perspectives interweave with the fourth one; strategic feedback and learning from it enables continuous improvements. (Atkinson 2006, 1451-1454)

Balanced scorecard can have a crucial role in successful implementation of a strategy but only if the scorecard itself is also correctly implemented. Addition to carefully considered implementation also perspectives to be used in scorecard need to be fairly defined. Chosen perspectives need to fully agree on organization's requirements as well as strategy in order to provide the best possible balance between financial and non-financial measures. Also, strategy and values need to be clearly defined in order to translate them into measurable performance objectives. (Assiri et al. 2006, 937, 940-942) Given that each organization is unique, equally each balanced scorecard is one of a kind and organizations may identify their priorities for its implementation differently (Mooraj et al. 1999, 489).

2.2.1 Balanced Scorecard in SMEs

In large companies performance management systems are commonly used and especially the balanced scorecard is one of the most widely implemented. However, among small and medium-sized enterprises (SME) very few companies carry out no kind of performance management tool even though it would be useful. It is clear that small and large firms differ from each other but the importance of using a performance management system is equal. For SME it would be useful to launch a management tool especially for three reasons: in order to manage external uncertainties of the operating environment, in order to get the best results possible in innovating their products, and in order to sustain the changes in the environment. Typically small and medium-sized enterprises have a poor understanding of their critical success factors, which results from practically non-existing strategic planning. Also therefore launching a management tool is essential; it would force a company to do strategic planning and to set against its current performance and its objectives. (Garengo et al. 2005, 26-27, 40)

Performance management system is important though complex to execute. In the research of Garengo et al. (2005, 29-30) the use of a management tool in SME and its various obstacles in the implementation are classified. They point out in SMEs it is common that human resources and managerial capacity are inadequate. Additional activities, such as implementing a management tool, are impossible to realize because of limited human resources. Similarly a managerial culture in SMEs is often lacking and in consequence important managerial activities are neglected. SMEs much more limited capital resources compared to large companies set boundaries as well. Finally, SMEs often have misconceptions of performance measurements; the understanding of their benefits is incomplete and they are seen more like an obstacle than an advantage.

Only little empirical and theoretical research has been carried out on the balanced scorecard or other performance management systems in SMEs (Garengo et al. 2005, 28; Hudson et al. 2001, 1106; Rompho 2011, 39). In large organizations use of the balanced scorecard is widespread but in SMEs using any kind of performance measurement system is rare. Garengo et al. (2005, 28-29) have identified several characteristics to explain it. SMEs are unwilling to invest in the development of managerial systems or they do not even know how to improve them. Companies' current managerial practices are inadequate and the lack of time drives them to focus on operational and financial performance. Balanced models are seldom considered because non-financial performances, as innovation and human resources, are usually ignored. This indicates the lack of a holistic view in SMEs.

It is common that SMEs do not use any kind of performance management tool, but if they do, it usually is implemented incorrectly. Even though the small enterprise and their needs are significantly different from the big company, there are very few models that have been developed directly for SMEs. The failure of the implementation is all due the fact that SMEs are trying to implement something that is not going to fit anyway. Either only some parts of a model are implemented or a model is modified without considering carefully the impact of the changes made. (Garengo et al. 2005, 28)

Hudson et al. (2001, 1101) have listed critical characteristics that performance management tools for SMEs should include. In order to implement it effectively and to achieve the maximum benefit it should be derived straight from the strategy and be clearly defined with an explicit purpose so that it would be simple to understand and use. It should provide fast and accurate feedback that helps to keep it relevant and easy to maintain. Finally, it should link operations into strategic goals and, especially, stimulate continuous improvement.

Rompho (2011, 39-43) has made a case study from the reasons why the balanced scorecard fails in SMEs. The results of this research show that the failure was the consequence of the frequent change in strategy. He finds this is the major factor that leads to the failure. Constant strategy changes result from the changing environment and constant change in product characteristics. The effort that needs to be made for keeping up with these changes forces SMEs to concentrate on the necessities while limited resources won't be enough for updating the balanced scorecard. In consequence, the initial measures of the scorecard will become obsolete. In addition, constantly changing strategy creates confusions among employees and its communication through all organization’s levels becomes much more difficult. Also, due to the constant revisions of strategy the significant cause and effect chain loses its meaning becoming worthless. Therefore, the balanced scorecard may not be used at all at least not until the company’s strategy is more stable. For large companies market changes are not that kind of a problem than it is for smaller enterprises because typically the environment in which large companies are operating is much more stable. In addition to rapid and turbulent market changes McAdam (2000, 319) highlights that simply reducing the accuracy of the scorecard does not alleviate the problem which is the obstacle for the use of the performance management tool in SMEs.

2.2.2 Changes in environment – changes in balanced scorecard

It can rarely be assumed that once created framework is valid for good. When the change is due to external forces there is no other way than adjust and change own business models. One, good example is people’s growing awareness of environmental issues and their importance and impact on daily life and choices. Organizations should have increasing environmental consciousness that may be one key driver in pursuit of success.

Länsiluoto & Järvenpää (2010, 385-386, 390) have investigated and emphasized importance of incorporating a greener aspect into balanced scorecard. Apart from stakeholders’ requirements also legislation may force organizations to incorporate environmental issues in their operations. Investing in environmental performance in short-term is likely to benefit organizations in long-term profitability. However, greening the balanced scorecard is a challenging task as adopting changes usually is. It is not enough that one additional perspective is simply added to the scorecard but the change needs to be strategic as organization’s strategy is the core of the whole process. By embedding pursued changes first in strategy it allows better planning and understanding of balanced scorecard. For example, necessarily environmental measures do not serve organization’s objectives in the best possible way when created a fifth separate perspective for them; environmental issues can be integrated into already existing perspective.

Whatever are the reasons to integrate environmental issues into a performance management system and balanced scorecard the chain of cause and effect is a base of illustrating the connections in the process. Profitability may increase and costs may decrease due to focus on environmental issues but if these links cannot be visualized explicitly the whole process of greening the balanced scorecard remains worthless. The causality between performance and environmental as well as financial issues should be fully understood. Along with proper understanding, organization's attitude or even deep-rooted corporate culture may change. For example, the break of purely financial-driven culture can eliminate prejudices towards new perspectives. Balanced scorecard enables to consider environmental measures as much as financial measures in performance evaluation and reporting. (Kaplan & Norton 1996a, 29-32, 34; Länsiluoto & Järvenpää 2010, 388, 390-391)

Typically the dominant culture and culture-based strategy are either facilitators or barriers when creating new. Implementing new perspectives may turn out to be extremely difficult without the perfect cultural and strategic fit. Organizational structure, prevailing attitudes within a company, and of course, competitive market can have a huge impact on both what organization is willing to do and able to do; they can play a motivating role or be a hindering force or even a barrier. The former barrier, however, can eventually turn to advancing force if the possible causality between environmental performance and financial profitability is understood. In this case, for example, the financial-driven culture may specifically improve environmental performance. (Kasurinen 2002, 335, 337-338; Länsiluoto & Järvenpää 2010, 392-393)

2.3 Corporate Social Responsibility and its impact on success

According to Joyner & Payne (2002, 297) good ethics is good business. It has been indicated that good ethics can have a positive economic impact on the firms' performance, and in the modern working environment it is even required together with values, integrity and responsibility. Successful companies are managing by values, not by profits, and therefore are seen not only as a profit-seeking entity but also a member of society. The ethical behavior may also enable to achieve a competitive advantage by developing durable and productive relationships with customers and other stakeholders (McWilliams & Siegel 2001, 118). Ethical responsibilities, however, are among the most difficult for companies to deal with, as they are society's expectations still over and above legal requirements. They are additional activities and behaviors not included into law and there cannot be found any sole opinion on what is and is not ethical. (Carroll 1979, 500)

Corporate Social Responsibility (CSR) in business operations is increasingly considered as a taken-for-granted concept. Stakeholders including companies themselves expect that the conducts of their operations will be carried out responsibly. The concept of CSR is based on the need to align the social, environmental and economic responsibilities, as the only purpose cannot be to measure and fulfill the financial objectives. Each three responsibilities are in the core of business; they are equally valid and necessary when making decisions regarding the business operations. (Bondy et al. 2012, 281) These three aspects of CSR should be equally considered because it is not anymore the shareholder value alone that the organizations are aiming at. Society plays a huge role in every action; business cannot exist without society and society cannot go forward and evolve without business. Both of them have their own demands and both of them need to be perceived. (Joyner & Payne 2002, 298) Also Wood (1991, 695) discusses that the fundamental idea of CSR is the integration of business and society rather than them being two distinct entities, and this means that appropriate business behavior and outcomes are outlined by society.

The World Business Council for Sustainable Development (WBCSD), a coalition of international companies united by a share commitment to the environment and to the principles of economic growth and sustainable development, defines that corporate social responsibility is “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”. The purpose of this organization is to encourage companies towards sustainable development and generate closer co-operation business, government and organizations. (World Business Council for Sustainable Development 2013)

Davis (1973, 312-313, 321) argues that social responsibility begins where the law ends; it is a firm’s acceptance to meet social obligations also beyond the requirements set by the law. According to him social responsibility is the firm’s consideration of issues beyond the narrow economic, technical and legal requirements. All organizations are obligated to find the best possible balance between the traditional economic gains and the effects of their decisions on the external social system. He further points out that it is every company’s choice whether to be socially responsible or not, though choosing to aim only at profit maximization it may lead to disfavor of customers and eventually loss of profits. As for study of Sethi (1975, 62), it emphasizes that social responsibility does not require a radical change in the normal pattern of corporate behavior. Sethi sees that the concept of social responsibility is simply a step ahead of time; prescriptive in nature until they are codified into legal requirements and consequently forced to obey. By adapting them in advance companies can gain benefits such as being eligible for a lower social and institutional cost by achieving greater congruence with social norms.

According to Keim (1978, 39) the entire issue of corporate social responsibility is fundamentally a resource allocation question. The aspects of CSR are qualified for improving the social welfare, but there still remain questions about how resources should be allocated in order to achieve maximum benefit. Should organizations strictly invest in the production of private goods and services, or should they make more effort in activities that have greater public benefits? Additionally it needs to be considered whether the political process should be more involved in decisions on how private resources should be utilized. All these decisions have an influence when solving social problems, and therefore made decisions affect the well-being of society as a whole. However, corporate social effort cannot be the solution for all social problems. Businesses are responsible for solving problems that they have caused, and for helping to solve those problems and other social issues that are related to their business operations and interests (Wood 1991, 697). Frederick (1960, 60) sees the social responsibility as a firm's willingness to utilize its resources for wide social purposes, not only for the interests of an individual company or private persons.

The concept of corporate social responsibility has increasingly grown its importance. An increasing awareness of social matters forces companies to respond. There can be found a lot of research about CSR also from recent years, but still, instead of small ones it is more concentrated on researching large companies who usually have a huge motivational pressure to get it integrated. On the contrary, SMEs that usually are of a type ”owner-manager”, may simply be content to survive which reduces the desire to burden the result with any additional matters such as implementing a framework to cover social and environmental responsibilities. It may be seen as an important issue, but the cost burden is ofthen seen as a barrier. Nonetheless, using the profits to do good in a society may bring twice as much benefits in the long run regardless of the size of an enterprise. (Battisti & Perry 2011, 173, 177; Jenkins 2006, 242-243)

Among others, Jenkins (2006) has researched the impact that integrated CSR has brought to SMEs. The results indicated that the concept was seen to be ”an ”all embracing” idea that concerns having an awareness of the impacts of the business”. They wanted to create a positive change to their stakeholders through the business decisions, and the concept of CSR was considered to be very useful in getting the made impact more transparent. SMEs were willing to invest in the CSR framework as they felt they have a responsibility to all their stakeholders; social responsibility was seen to be at the core of everything. Despite the fact that

CSR brings real business benefits, the biggest motivators to have it integrated were rather for other reasons like moral and ethical arguments or the values of the founding entrepreneur. (Jenkins 2006, 245-246, 249; Murillo & Lozano 2006, 237).

Cramer (2005, 583, 586, 591) has researched the implementation of corporate social responsibility. According to her there can be no single way to put it into practice; it is more like a search process. The most effective way to embed CSR to an organization's principle depends on its operation sector and on its own special features as every sector is own kind of as well as each organization is unique. A responsible balance between financial, social and environmental aspects needs to be found while observing also the requirements of the outside world. Additionally, organization's vision and mission as well as short- and long-term strategies need to be based on the desired CSR. Finally, the reporting systems should be supervised and controlled in order to ensure the quality. The best results are obtained if properly integrated in organization's management systems and if communicated both internally and externally.

Also Husted (2003, 482-488) emphasizes that the most important point in implementing CSR is its strategic integration to company's core mission. In order to accomplish both social benefits and economic gains firms need to consider issues of governance. He points out that implementing CSR can highly increase organization's competitive advantage but only if CSR projects are cost effective and they produce a clear return on investment. There are three options through which the defined projects can be made concrete. First, a firm can outsource CSR through corporate charitable contributions where the resources are directed to community organizations that are specialized in the particular problem that a company is willing to support. Second, CSR project can be carried out as an in-house project which means the company goes beyond the donation of money or goods by planning, executing and evaluating the projects all by themselves. Third, firms can end up using a collaborative model if the donor and the recipient are willing to carry out the joint CSR activities by having interdependence. The decision between these models has significant implications for the cost side of CSR. No matter which model is selected the greatest social good needs to be created at the least possible cost in order to be effective, in order to attain the competitive advantage and in order to realize mutual gains for the firm itself and for its shareholders.

2.3.1 Corporate Social Responsibility in SMEs

Small and medium-sized enterprises account for the major part of the world's business enterprises and they are both one of the main driving forces when measuring economic growth. SMEs have an important role in creating employment opportunities, promoting private sector development and providing opportunity for equitable distribution of income in society. Nevertheless, only little research of SMEs' engagement in CSR has been done, just as the case is with balanced scorecard implementation in SMEs. (Santos 2011, 490; Inyang 2013, 123, 126)

During the last few years CSR in SMEs has been on the increase. The key point to be perceived is the fact that CSR needs to be considered as a part of a firm's overall day-to-day management, not just as an add-on. For small or medium-sized enterprise CSR strategy can bring many advantages if implemented effectively and successfully. There are various motivations and drivers that encourage SMEs to pursue these advantages. These motivations and drivers can be seen as internal and external pressures that force them to engage in CSR. (Jenkins 2006, 249; Kechiche & Soparnot 2012, 101; Inyang 2013, 127)

One main driver affecting to the implementation based on internal decision-making is the enterprise's desire to do the right thing and give something to the community where it operates. In consequence enterprises also anticipate gaining benefits from community such as improved image that is expected to bring improved customer loyalty and better business returns. In order to enhance the success companies are willing to create a strong relationship with the community by identifying a CSR program. In SME the major aspect that has an influence on the whole process of implementation is the manager's personal values and level of morality. These determine the commitment he is willing to put on a CSR strategy. The external pressures caused by the market are, in turn, the supply chain pressure form large organizations and the community pressure in order to sustain both business relationships and relationships with different sectors of society. Also the attempts to avoid sanctions and negative publicity as well as the need to obey laws encourage SMEs to launch a CSR program to facilitate compliance with all regulations. (Kechiche & Soparnot 2012, 101; Inyang 2013, 127)

However, the implementation of CSR in SMEs is not as simple as it can be in large companies. There are several constraints and challenges to overcome in order to adopt and execute it successfully. One of the largest barriers is the lack of resources. The implementation of CSR is usually considered too expensive while the efforts of running daily operations are already demanding the major part of the budget. Also the lack of time and limited knowledge set constraints as well as the difficulty to get employees involved. Problems arise equally after the implementation; adoption of CSR program and required support services together with daily administration can be too demanding as the existing CSR tools and guidelines to maintain the program are mainly designed for large organizations without the relevance to SMEs. In some cases the required capacity may exist but the fear of additional regulatory burdens that come along the program prevent SMEs from getting involved in CSR initiatives. (Jenkins 2006, 249; Kechiche & Soparnot 2012, 101; Inyang 2013, 129)

Companies that are willing to put effort on CSR initiatives and end up manage to launch it successfully may accomplish benefits such as better reputation and more prominent profile, better market position that brings more business and more customers, increased attractiveness to potential recruits but also higher motivation and loyalty for current employees. Eventually CSR benefits the entire company culture. (Jenkins 2006, 249) Santos (2011, 497) emphasizes additionally two benefits in her study. She mentions that CSR raises the quality of products and services, and improves the productivity, which brings financial advantage. Ricks (2005, 121) reminds that some of the objectives for CSR are clearly tied to marketing such as increased visibility and the avoidance of negative publicity. Adopting CSR as a part of the organization’s strategy and management systems is mostly seen as a consequence of the search for better management indicators (Santos 2011, 499).

2.3.2 Sustainable development as an incentive to CSR and GRI

In recent years sustainability issues have gained a substantial position among organizations and their stakeholders despite field of business. Therefore companies are increasingly forced to consider sustainable development in their operations. Particularly the process of globalization, the evolution of civilization and the increase of prosperity have raised people's awareness of the ecological, legal and social activities besides economic aspects. They are increasingly willing to influence the surrounding environment, not just the own financial success. Stakeholders, both inside and outside the organization, expect greater transparency. In the concept of sustainable development it is essential and crucial to operate and strive for present goals in a way that does not jeopardize the future generations' chances to achieve their objectives. (Hys & Hawrysz 2012, 1515-1516; Roca & Searcy 2012, 103; Aktaş et al. 2013, 113, 115)

Corporate social responsibility and reporting on it are seen to advance and strengthen the interdependent dimensions of sustainability. These three dimensions, economic viability, social development and environmental protection are the base of social responsibility at all levels of organizations' operational environment. Especially companies operating in international markets see that corporate social responsibility and reporting on it multiply the value they create in the business operations. Mainly CSR reporting is voluntary but nevertheless popular due to its value creation impact. The increased importance of sustainability issues has encouraged organizations to apply CSR. (Hys & Hawrysz 2012, 1515-1516; Roca & Searcy 2012, 103; Aktaş et al. 2013, 113, 115)

Numerous guidelines for corporate sustainability reporting have been published, and the most well known is the Global Reporting Initiative (GRI) (Roca & Searcy 2012, 103). GRI is a non-profit organization that in pursuing a more sustainable global economy provides sustainability reporting framework for companies. The organization is committed to continuously develop its guidelines in order to keep up with the world's development and its constantly emerging requirements. The latest updated version, the G4 Guidelines, was released in May 2013, which was a follow-up to the G3.1 Guidelines published in March 2011. With its reporting guidelines GRI is encouraging companies to consider social justice and environmental care along with their long-term profitability. The aim of this non-profit organization is to promote equally social and environmental than economic sustainability, and increase their accountability. By following the GRI guidelines companies may both consolidate their position in the global economy and increase the trust of their stakeholders. (Global Reporting Initiative 2013)

The framework of sustainability reporting is not restricted to the original Reporting Guidelines but it includes also the Sector Guidelines for those unique sustainability issues that are not covered in the original. The whole framework can be seen as a support for organizations' reporting needs overall. Sustainability reporting process enhances companies' ability to set goals, measure their performance and finally, respond to emerging changes as quickly as possible. Benefits can be both internal and external. Internally it can have a positive impact on understanding of risks and opportunities, which enable a reduction of costs and an improvement of organization's efficiency. Reporting directs companies to focus on specific issues that emphasize the link between financial and non-financial performance and makes it more visible. External benefits may be improved reputation and brand loyalty. Especially more transparent reporting benefits external stakeholders and their decision-making. Sustainability reporting can also be the essential proof of not being involved in publicized environmental, social and governance failures. (Global Reporting Initiative 2013)

In order to achieve the transparency of sustainability reporting both content and quality of the report are to be considered. Content should be dealt with comprehensively, including both improvements and deteriorations of economic, environmental and social aspects as well as specification of stakeholders' expectations and interest that have been met. Fulfillment of the required quality, in turn, ensures that the given information is proper and unbiased for stakeholders to base on their decisions without any misleading interpretations. Good report is valuable for both organization itself and stakeholders; it helps to reveal the most critical things to be managed and reflects the overall performance with both positive and negative aspects without any omissions of crucial information. (Global Reporting Initiative 2013; G4 Sustainability Reporting Guidelines 2013, 16-18)

2.4 Entrepreneurship in social sector

Social enterprises can be simply defined as ”organizations that exist to generate a public or community benefit, trade to fulfil their mission and reinvest a substantial proportion of their income in the fulfilment of their mission” (Barraket & Yousefpour 2013, 448). Social entrepreneurs ”aim to achieve positive long-term, large-scale, sustainable social goals and non-financial impact using business principles and practices” (Volkmann (Eds.) et al. 2012, 176).

The ultimate goal of social enterprise is to successfully deliver their product or service to their beneficiaries. However, the overall success is not assured only with successful delivery but it depends on how well they managed to communicate the returns and achieved performance improvement to all parties that are expecting it. This raises accountability in social enterprises into a crucial position. Externally driven accountability forces organizations to face many issues and conflicting situation as multiple authorities have their own requirements. Though the ultimate goal for all stakeholders is to get better future earnings or enhanced social impact. Social impact assessment is not just for measuring created social value but also assessing how financial results have been achieved without jeopardizing the social purpose. Keeping up with financial sustainability while delivering a social mission is not simple though necessary in order to carry through the mission-based goals. (Moss et al. 2011, 805; Volkmann (Eds.) et al. 2012, 180-181)

Over the years the business model of social entrepreneurship has grown its popularity even though the research of it remains still in its infancy. The influence of social enterprises on the environment has strengthened and their position is growing its importance globally. Though despite the emerging significance the research of social entrepreneurship is still rather limited. (Barraket & Yousefpour 2013, 448; Nicholls 2009, 755; Moss et al. 2011, 822-833) When defining the concept of social entrepreneurship Mair & Marti (2006, 37, 39) has presented three basic assumptions to cover it. Social entrepreneurship is seen as a process where value is created by finding new ways to combine and exploit resources. With these resource combinations social entrepreneurs are pursuing through social changes to find unknown opportunities. Finally, the outcome of these processes can lead to creation of value for services and products or to creation of whole new organizations. Social enterprises are driven by a social purpose instead of profit maximization which is seen as a main difference between social and business sectors. In social entrepreneurship social wealth creation is prioritized over economic wealth creation although one cannot be achieved without another.

As social enterprises are operating in the same markets than profit-making organizations they need to be prepared to compete; the social purpose needs to be seamlessly integrated into a clear business proposition. The requirements of competitive markets also apply to social enterprises which causes the pressures to fit the business in competitive market models. Market regulations and the pressure of shareholders and new investors assure that only charity reporting is not enough but it needs to be comined with financial reporting. The key is to find a balance in utilizing both charity reporting practices and reporting practices used in commercial organizations. Though, especially if not organized well, adopting various different reporting practices may increase the whole reporting burden if it may also offer the better opportunity to assess and observe organization's performance and make more accurate findings in their specific contexts. (Nicholls 2009, 756-757) The concept of Blended Value has been presented to consider both value creation forms and is concerned later in this research.

According to Nicholls (2009, 758-759) there are various reasons and certain factors that explain the lack of specific and clear reporting practices for social issues. The first problem arise when considering what to measure and eventually, what to report; in the social sector it is not that obvious to perceive and find targets to be measured. Before being able to find out what is to be measured organizations themselves need to specify the issues they are trying to solve. The information from daily operations are vital. This gives tools for monitoring expenditures and to allocate them for the right objectives. It is important to find out whether expenditures as a whole are allocated for objectives serving the chosen social purpose of the organization. Though the relationship between input factors and social impacts can be challenging to define. Either way, by being well aware of day-to-day operations it gives the better base for finding out and assessing issues that need to be measured. Compared to profit-making organizations that operate in specific, well-defined and strictly regulated markets, social sector organizations need to find their way through much more complex business field while operating in all areas of society. This demands the ability to control and allocate various different resource inputs, for instance, donations, grants, volunteer time and government subsidies for specific social objectives. Heavy institutional structure and settings make the business practice and the pursuit of objectives complex and demanding. (Kendall & Knapp 2000, 107-108; Nicholls 2009, 758-759)

When the clarification of what is to be measured is defined, the next step is to consider how to measure it. Nicholls (2009, 758) sees that there is a way to define the relationship between input factors and social impacts even though it may be challenging, especially when there are no clear measurement systems identified for social value creation. Social value cannot be calculated, actually there are not even units of measurement that could be defined. Nevertheless, one solution could be defining the value of a social good by figuring out how much value customers feel to get by receiving or using the good. In other words, the value of a social good is simply the amount that a customer would be willing to pay for it.

Finally, the third question concerns the purpose of measurement and reporting. Organizations that aim at social purpose typically gain the trust from their stated social objectives and public missions though verifying achieved results and possible success is complex as the reporting systems are not developed. For profit-making organizations detailed reporting is a part of operations. They reduce the risk of frauds and material mistakes by applying internal control systems, and gain the trust of external stakeholders and government by having regulated audit procedures done by an independent third party. For social purpose organizations detailed performance reporting has typically not had such a great impact. The reporting systems are not developed as the trust of external stakeholders has been gained already by having the statements of social mission. The risk is partly reduced due to the organizational form and the reporting has not played a relevant role. An example of mentioned social statement could be the adoption of charitable status. Already this can be seen as a commitment to use donated money and government subsidies effectively. This concept of cognitive legitimacy surplus by society has enabled social enterprises to report within the framework of less demanding regulations than profit-making organizations. (Nicholls 2009, 758-759)

2.4.1 Social impact reporting

The social entrepreneurship has to face issues and overcome problems that do not concern the entrepreneurship driven just by the profits. In order to measure up to these challenges and expectations and to be able to meet these additional requirements the reporting and the measurements of social impact need to be considered in a much larger scale. The pressure to satisfy stakeholders' demands is also higher and more complex because of much more diverse set and a larger number of authorities with different interests; social entrepreneurs are responsible for all the entities and groups from both public and private sectors that are seeking the social purpose by collaborating and sharing resources for collective social impact. Authorities' expectations for the outcomes of measuring and reporting performance may vary but each of them to be satisfied. (Kickul et. al 2012, 481; Volkmann (Eds.) et al. 2012, 177, 180)

By exploiting effectively various possibilities and creating new innovations the social entrepreneurship seeks to track down and solve society's most notable problems such as health, education, poverty, environmental aspects and economic development. In order to aim at more than just financial profits it requires companies to measure and report performance also in the social sector. Results from financial measurements does not give the right picture from the company's ability to implement its strategy and business model. On the contrary, a social enterprise is valued for its positive impact on society; for how its actions and operations give communities better abilities and possibilities to offer its individuals conditions for better life. (Kickul et. al 2012, 479, 484)

Unlike for profit-driven businesses the primary goal for social enterprises is to maximize social and environmental wealth. These non-financial problems can be successfully addressed by creating innovative organizational strategies and by exploring completely new organizational forms. Regardless of the form and strategy of organization reporting and exposure of information is important for both stakeholders and companies themselves. Comprehensive and transparent reporting practices furthers organization's success by exposing strategy's deficiencies as well as its keys for success. (Nicholls 2009, 759-761; Volkmann (Eds.) et al. 2012, 176, 178) Nicholls (2009, 759-761) has described five practices that apply when fulfilling different annual reporting and disclosure regulations. Furthermore he separates two practices from five that are significant elements amongst regulated reporting, specifically added by social entrepreneurs. These two elements are a quantitative social return on investment (SROI) assessment model and a qualitative enhanced social audit report. Further, when the three remaining practices (annual report of audited financial accounts, Community Interest Company activity report, Trustee's Report of charity objectives) are added, these reporting models constitute a spectrum of reporting options that are used by social entrepreneurs as strategic tools to enhance performance and accountability. The models of annual report of audited financial accounts and social return on investment focus on quantitative financial data as the rest are more qualitative by focusing to capture social value creation. However, it needs to be considered, especially when social entrepreneurship is at stake, that both quantitative and qualitative aspects are significant and together they create a combination that serves organization in a best possible manner.

Despite the form or purpose of the organization all social enterprises registered as companies are obligated to present their result of the accounting period as well as the financial position in a form of annual report, which provides an extensive overview about the organization’s market position. In addition to financial figures it may also include, especially for social enterprises, details of organization’s current social interventions as well as the social impact they are willing to achieve in the near future. Unlike annual report, Community Interest Company Report is regulated to be published only within certain types of enterprises; the Community Interest Company is a unique form of incorporation which helps social entrepreneurs to clearly separate their business purpose in a competitive market and to get their organization identified as wanted in the eyes of consumers. This legal form was introduced to fulfill the gap for social entrepreneurs to reach their potential customers and investors. The report they are required to provide concerns organization’s general activities; the kind of information that is typic, for example, for charities. In consequence, Trustee’s Report reminds a lot the annual report that all registered companies are required to provide. The report includes, among other things, information of organization’s principal aims and objectives as well as more detailed specification of the achieved goals and the progress made with uncompleted aims compared to the previous year. Also plans and strategic choices for the future are included as well as a brief financial review to support these future objectives. (Nicholls 2009, 759-761)

The two elements of the reporting spectrum that are significant especially for social enterprises covers both quantitative and qualitative aspects. Social return on investment is defined as a tool to measure created benefits in relation to the investment that has been made to achieve those benefits. The system monetizes social value, which gives an opportunity to get quantifiable definition to the created value. The benefit achieved from certain investments can be more truthfully allocated. Social audit, in turn as being a qualitative approach, mostly concentrates on finding despcriptive outcomes of strategic actions. The approach measures the impact of organization’s activities socially. It focuses on core activites within organizational processes and encourages to enhance reporting among significant mission objectives that truly form the absolute core of the social enterprise. Social audit reporting mainly assess organization's internal performance by emphasizing descriptive metrics but also exploiting financial information. Considering though the nature of the measurement and reporting object, the reported information is highly individualistic and therefore usually non-comparative unlike the financial information. (Krlev & Münscher 2013, 14-15; Nicholls 2009, 760-761; Rotheroe & Richards 2007, 34)

2.4.2 Performance evaluation of social enterprise

Organizations that exist for a social purpose are forced to put effort on financial objectives in order to get it in balance with social ones; the status of social enterprise does not give any preferences in the competitive market. By establishing financially sustainable foundation opportunities ”to create long-term solutions to long-standing social challenges” arise, and this apply to social enterprises as much as to for-profit organizations. In order to establish financially sustainable operations organization's performance needs to be measured effectively. (Luke et al. 2013, 234-235)

According to the study of Luke et al. (2013, 234-236) the priority in social enterprises is on quality outcomes and impacts; performance is evaluated in qualitative terms. Though, as mentioned above, also the understanding of financial measures is highly important in pursuing social goals. At the moment the emphasis is clearly on qualitative methods although the undue emphasis on financial measures may cause difficulties. Social enterprises usually also are aware of this fact but they are simply unable to meet the requirements and cover the whole spectrum of performance evaluation. Many of social enterprises are small to medium sized which causes practical challenges; the lack of resources forces them to choose a priority. If the allocation of limited resources is carefully considered, it enables to have a better base to cover organization's each objective as closely as possible and that, in turn, helps to improve and retain organizational legitimacy. The importance of resource allocation is emphasized also when considering the fact that social enterprises are the solution to manage the key social needs for whole society; if the resource allocation fails, societal management of an enterprise can turn out to be defective which jeopardizes the pursuit of organization’s social mission (Dart 2004, 413).

Financial accounting measures hold the crucial position when producing information for decision-making in a for-profit context. However, financial measures are increasingly being used also among social enterprises as they are competing not only with for-profit organizations but also within a highly competitive environment for donations and support. One major thing that social enterprises need to build carefully in order to find a successful way in these competitive environments is organizational legitimacy. (Luke et al. 2013, 236) Suchman (1995, 574) defines legitimacy as ”a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”. Dart (2004, 416), in turn, describes legitimacy to simply be ”a way we believe things should be”. Thus, in order to establish and retain acceptable organizational legitimacy social enterprise’s actions need to be approved by stakeholders, especially as they are relying on external funding and support. In addition, so that organizational legitimacy can benefit enterprise in a best possible way it needs to be communicated clearly; once again the evaluation of performance and its reporting take an important role. (Luke et al. 2013, 236-237)

Volkmann (Eds.) et al. (2012, 182-183) have presented the Impact Value Chain that was developed to illustrate the different stages of social value creation. It provides means to structure organization’s objectives and strategic design implications in corresponding to its activities, capabilities and resources. As the nature of social performance, social outcomes and social impacts differ from each other the Impact Value Chain also emphasizes differencies between their measurement and evaluation.

The first part of the Value Chain is to define the social problem. The decision of the problem to be resolved determines ***inputs*** that need to be put into a venture. Inputs could be, for example, money or knowledge. The next step requires to find ideas and to develop specific strategies, systems and practices to solve the defined problem. These ***activities*** that can be any business ideas, for example providing loans or staff training, provide the opportunity to achieve the final, desired impact. After implementing the chosen strategy, products or services result from it. These ***outputs*** are relevant to achieving ***outcomes*** that, in turn, are intermediate results necessary in achieving desired impact. Finally, the desired ***impact*** resulting from the whole chain is the solved social problem defined at the beginning, for example, improved life standards or sustainable position in working life provided for the target group. The achieved results have a direct, positive impact on the society as a whole. (Volkmann (Eds.) et al. 2012, 182-184)

2.4.3 Performance evaluation in a new context with old methods

Since the late 1990s various performance terms and measures have been offered to resolve the problem of performance evaluation of social enterprises. These measures are intended to serve the ways to meet the need of a more holistic and sophisticated assessment of outcomes and impacts that organizations achieve in their operations. From a qualitative perspective a concept of the balanced scorecard is one of the major possibilities to apply also in the context of social enterprises although once it has mainly been introduced as a management system for profit-making organizations. Due to this original purpose of the balanced scorecard there have been doubts and questions about its appropriateness in serving purposes of social enterprises and their performance evaluation. It is seen more as a management tool than a tool to provide information about outcomes and impacts of organizational performance as the information provided with the balanced scorecard is individualistic and therefore not easily comparable. (Luke et al. 2013, 238)

In order to get more truthful and comparable status of the company's position and performance, from a quantitative perspective, the concept of social return on investment (SROI) have been promoted to serve better the needs of performance evaluation than the balanced scorecard does. The concept of SROI not only makes the performance evaluation more efficient but also serves indicators to actually measure blended value creation. The better known measure adopted in accounting, Return on Investment (ROI), compares investment gains to investment costs. Similarly, social return on investment compares the ratio between the net benefits of a project and the investment required to gain that benefit. (Byrne & Brennan 2009, 8; Luke et al. 2013, 238)

However, there are doubts that have been emerged also with regard to the functioning of SROI concept. It is seen that all benefits simply cannot be meaningfully quantified which makes their measurement questionable in quantitative terms. As social enterprise aims to serve its social mission without any special financial goals it is questionable whether the value it creates is in a place to be monetized. Some benefits may be converted into a monetary value but as long as others' monetization is even slightly based on assumptions the whole performance evaluation turns out to be misleading. Additionally, even though a social enterprise manage to provide a reasonable calculation of SROI it may not bring any value when trying to figure out organization's position compared to competitors; between organizations the approach to measure and calculate SROI may vary a lot and this reduces the comparability of the results. In spite of all the critiques that the potential performance evaluation tools face, at least in some level they must be applied not just for the company's own purposes but also for stakeholders; funding expectations and requirements need to be satisfied. SROI method may not provide all-inclusive information and may not cover all the required areas but it provides both qualitative and quantitative information that already is a huge step towards better performance evaluation. (Luke et al. 2013, 238-240)

2.4.4 The question of resources

As social enterprises are mostly small to medium sized, the question of resource allocation is always current. The limited resources force them to consider carefully how to use them. The successful prioritization is one of the key factors on the way to fulfilling organization's social purpose. Hence, the used approach to performance evaluation and measurement needs to be identified carefully and implemented effectively. The decision-useful information is provided by this kind of successful measurement of social outcomes. The choice of suitable measurements and resource allocation also enable organizations to plan and implement their operations more effective. They allow them to find alternative opportunities to serve better their beneficiaries. The importance of the whole evaluation process cannot be overemphasized because the poor design can easily lead to the waste of already initially limited resources. (Luke et al. 2013, 241-243; Volkmann (Eds.) et al. 2012, 181)

What kind of approach to performance evaluation and measurement is then appropriate? The question of the trade-off is not easily solvable. Even though the process of calculating measures such as SROI may produce some useful information, the final costs of the calculation can turn the positive impact into the negative. For SMEs the common obstacles are, for example, limited human and financial resources that in turn limit search and availability of data as well as other necessary component used in the measurement process. Also the time available sets the strict limits that do not allow organizations to use it in performance measurement, especially as it can be a waste of time if the measurement approach does not offer the required credibility and validity. One issue lies also in the time frame; apart from likely complex approaches the results of performance measurement may also only be observable in the long-run. The lack of immediate benefit and concrete proof of indicators' effectiveness do not encourage organizations to carry on. (Luke et al. 2013, 241; Volkmann (Eds.) et al. 2012, 186)

Closely related to the time available, competing work commitments are seen as a huge barrier. As in small to medium sized enterprises there usually is one person to be responsible for several roles at a time it is obvious that daily business operations do not leave any time for social impact measurement. In addition, typical is that the evaluation project fails because of planning, which is seen eather to be too complex or too limited. In some perspectives challenges that prevent planning and implementation of impact measurement process rises up to the level of organizational culture, which may not leave any room for evaluation discussions. (Barraket & Yousefpour 2013, 452-453) In all cases when planning strategies and making decisions between approaches to evaluate social impact the final question eventually is, as it is also for the profit-making organizations: ”does the benefit outweigh the cost?” (Luke et al. 2013, 241)

2.5 Social Return on Investment (SROI)

The idea of investing for social purposes may be straightforward but measuring the impact coming out of it tends to be more complex. Social investments can be both given volunteer time or tangible and intangible goods or even an investment of money as long as it serves the public good. However, the problem arises when asking to find answer to the impact of made social investments. The question of measuring the benefit delivered for society by organizations has been tried to cover with various tools, though, Social Return on Investment (SROI) has received most attention. (Krlev & Münscher 2013, 3, 8-9)

Measuring the value of private contributions to the public good has increasingly gained the interest of practitioners and SROI has turned to be the most worthwhile to apply and develop further. Especially in recent years SROI as an approach of social impact measurement has been the most widely discussed and researched. The approach of Social Return on Investment reveals three types of returns. The most observable return is economic return that simply is a financial return organization gains by operating on the market. The opposite for economic return is social return that produces intangible effects such as the enhancement of knowledge and capability to exploit the new information perceived from operations. The third return is a combination of two first ones; socio-economic return serves both social and economic needs. The outcomes of these aspects can be expressed in monetary, quantitative or qualitative terms. The qualitative aspect is an essential characteristic of SROI but as monetization is inseparable part of the concept it cannot be ignored. The greatest challenge of expressing Social Return on Investment arises from that; how the value of a certain item can be estimated without having a market price of it? (Krlev & Münscher 2013, 3-4, 12; Nicholls 2009, 760)

The classic SROI model composes these three types of returns mentioned above, and this wide approach assure the possibility to interpret created value despite the nature of it. Even though the known fact is that social value is difficult to measure because of its nature, some aspects of it can be translated into financial values quite easily. An example of this kind of monetizable, socio-economic value creation can be a social purpose project with a direct effect on the payment of governmental social transfers. This relation enables to calculate the created value directly in monetary terms. Though, in most of the cases social value cannot be monetized. This kind of non-monetizable value creation is defined by using quantitative and qualitative procedures; the model of SROI covers also this side with required additional information. Though it needs to be considered that despite the advantages SROI model offers various products and services social entrepreneurs provide are not just non-monetizable but also non-quantifiable. Still, the model of SROI offers a worthy tool to make difficult observable social returns more visible, and not just for the investors themselves but also for other stakeholders and society as a whole. (Krlev & Münscher 2013, 14-15; Rotheroe & Richards 2007, 34; Zahra et al. 2009, 522)

The classic SROI model presumes that social value can either be seen as social cost savings or revenue for the public sector. Precisely this assumption allows the monetization of social value creation. A broader perspective of social value creation, however, sees that the genuine social returns are not completely considered if classified according to this model; in many cases social value cannot be monetizable with any kind of model. Instead of dividing social value creation as cost savings or revenue for the public sector four societal functions should be distinguished when measuring the impact. In the classic SROI model the emphasis is mainly on the economic side but approaching the value creation through broader perspective the complete variety of positive social impacts can be considered. In order to achieve the maximum benefits apart from the economic function focus needs to be also on the political, social and cultural functions. (Krlev & Münscher 2013, 16-17)

The maximum benefit results from the total wealth thus from both social and economic wealth. Defining the total wealth gives organizations also an opportunity to shift resources from one category to another if the situation so requires. This illustrates that organizations may have various gradations or combinations of both wealth generation. Less frequently the total wealth maximization is achieved by moving from one extreme to another but pursuing desired performance goals in both social and economic wealth. Though all kind of opportunities to increase income should not be carrying through if it may harm the pursued social purpose. By putting the organization's ultimate purpose at risk the future total wealth maximization can be affected negatively and it can raise even ethical concerns that are integrated to social value creation. (Zahra et al. 2009, 522, 529-530)

Eventually, no matter which model is applied or which societal functions are considered each project or investment needs to be identified are separate. At least for the present, the standardization of model is not possible or even meaningful because of the variation in operational environments. Each field is constantly developing and each special characteristic needs tailored indicators in impact measurement. Successfully applied the SROI method offers significant advantages. First, due to an investment perspective the method makes the input-outcome relation between the made social investment and the impact it creates more visible. Second, the method simply provides a possibility to communicate with a wider and more specific and truthful scale to boards, stakeholders as well as to the public. The information provided offers a better base for decision-making. Third, by involving the entire organization through the implementation process organizational learning from social impacts and from the organization as a whole increases. Finally, all aspects together give better opportunity to make organization processes more effective. (Krlev & Münscher 2013, 18-19)

The SROI technique is based upon traditional cost-benefit analysis though it differs from it in two critical ways. First, the primary purpose of SROI is to support managers' daily decision-making. It is used as a practical management tool on a regular basis whereas a cost-benefit analysis is used occasionally when needed; for example to determine a way to create the maximum benefit with the lowest cost possible in a certain chosen period. Second, SROI method pursues the maximization of both social and financial benefits while traditional cost-benefit analysis forces more like to choose either or and focus on that. (Lingane & Olsen 2004, 119; Rotheroe & Richards 2007, 34)

Rotheroe & Richards (2007, 34) define SROI as a tool to measure created benefits in relation to the investment that has been made to achieve those benefits. They illustrate tool's formula as followed:

SROI = Net Present Value of Benefits / Net Present Value of Investment

Comparing the value of social benefits to the performed investments produces SROI ratio, which is a ratio of monetized social value. Made investments are conducive to the social value as well as to the economic value; the cause and effect chain of social value creation needs to be recognized and considered as well. (Rotheroe & Richards 2007, 34)

Lingane & Olsen (2004, 119) defines a few steps to the effective exploit of SROI analysis. In order to get produced meaningful SROI figures and to get the maximum benefit out of them, the required data needs to be identified, collected and finally prioritize according to its expected importance. After having data gathered, it needs to be able to make practical use of it by incorporating it into management daily decision-making. The final step, valuation, gives management preconditions to improve organization's business operations and modify them into the desired direction. Through these steps the amount of created social value can be recognized and allocated towards proper investments. SROI analysis as a whole gives enterprises an extensive base and a valuable tool to plan, manage and finally assess their business operations. Possible market opportunities can be recognized better and utilized more efficiently. Different alternatives can be compared and after an evaluation of performance changed if needed.

Social enterprises are found for a specific purpose. Business activities are carried out to support, either directly or indirectly, this chosen social mission. It is therefore clear that qualitative evidence from the operation's successfulness weighs more than usual and qualitative aspects need to be managed carefully. As activities that get measured get managed, especially for social enterprises it is exceptionally important to develop a tailored performance measurement tool. Though the importance of communication should not be overlooked while emphasizing the significance of measuring. The benefits derived from measuring performance get the meaning until communicated outside, first to the organization itself and then to all stakeholders as well. (Rotheroe & Richards 2007, 32)

When defining social enterprise the pursuit of sustainable development is more crucial than usual; already the desire to maintain the legitimate position in society requires sustainability. According to Rotheroe & Richards (2007) the concept of sustainability is based on three familiar keystones: the social, environmental and economic issues are fundamental imperatives of sustainability. Sustainable development cannot occur without economic growth, environmental protection and social progress and these cannot be visible achieved without transparent accountability mechanisms. Based upon conventional accounting practices the SROI method enables organizations to achieve that kind of transparency and accountability by providing tools to produce both quantified ratios and qualified information. However, the criticality towards the information SROI produces should be keep in mind as there are always certain issues that cannot be monetized. The qualitative evidence is to support the quantitative ratios but that alone is not enough; the insufficiency of quantitative ratios may lead to underestimation of the true social value. (Rotheroe & Richards 2007, 31-33, 45) Evaluation of social performance, as well as evaluation of financial performance, requires always more than one indicator. A more complete understanding of social value creation can never be achieved by focusing only an SROI method although it forms an important part within performance measurement systems. (Lingane & Olsen 2004, 129)

2.6 The concept of Blended Value

The concept of Blended Value could be summarized simply in a form of both/and rather than either/or. This approach leads to the fact that the existing frameworks to the performance evaluation may be inadequate and invalid. However, building new frameworks in order to carry through Blended Value Proposition face some challenges. The diversity and complexity of today's operating environment require participants to have under their control an increasing amount of issues and demands. Thus first, organizations' managements need to be more capable to simultaneously control various fields; advancing the blended operating systems of the future cannot be forgotten under the pressure of making the best possible profit. Learning to live within a higher level of integration of both profit-making and blended value aspects is the key issue. Secondly, in order to achieve the progress in creating blended operating systems information needs to be more easily available, thus, information systems need to be improved. The value creation in a new context stays unknown if not brought up. Finally, the most important challenge to face is to be able to constantly carry the Blended Value Proposition equally along with organization's other activities. Understanding of its positive impact on the greatest maximization of financial, social and environmental value is vital. (Emerson 2003, 38-40)

According to Emerson (2003, 43-44) there are two core issues that need to be understood when internalizing the concept of Blended Value and integrating it to the organization's operations. Traditionally it is considered that organization's economic and social value have nothing to do with each other. However, the whole concept of Blended Value Proposition is based on the fact that the best success is achieved by considering them as a consistent aspect in the organization's value proposition. Thus, the first core issue is to recognize them as a combination instead of two separate aspects. The second core issue is the understanding of the transformative nature of an investment and the understanding that social and economic components are integrated. Against traditional beliefs the Blended Value Proposition represents the idea that both aspects need to be defined and evaluated as a consistent completeness in pursuance of the highest possible results in social and financial value creation. The integration of social and financial value creation serves also shareholder returns.

Although the concept of Blended Value Proposition is relatively new, one perception emphasizes that the framework has already become established in all organizations along with the changes in the operating environment. These changes have forced companies to adapt their operations and as a result the framework is seen as formed as if given. Less importance is shown to the specific legal structures and corporate status whereas organization's fundamental value generation is considered to be more important and even the only ultimate thing that matters. Current operational environment sort of stretches the meanings of organizations' legal structures, which leads to the fact that in practice they are all the same. This can be seen well in a comment of Emerson (2003, 45): "Since nonprofit corporations may invest in for-profit subsidiaries and for-profit companies may establish nonprofit support organizations to advance partisan causes, there is no difference anymore." This shows that the pursuit of economic, social and environmental value creation and returns are all in the same proposition without the ability – or even the need – to have them separated. (Emerson 2003, 45)

The question of how to measure Blended Value is partially covered with a concept of Blended ROI and in the future, there will surely be introduced plenty of ways and strategies based on a Blended ROI to meet these measurement requirements. On this day, there is still little research in this field but the future's demands will create the need for it. This need will come from future's increased amount of new investment pools and funds that already initially are created to serve both social and financial value creation. However, there are no guarantees Blended ROI can simply be seen as an extension of already widely known Financial ROI. The relationship between social, environmental and financial returns is manifold; they are linked to each other and none of them can be excluded or replaced. When building new metrics or extending existing ones, all these mutually interdependent issues need to be considered without any advance assumptions. (Emerson 2003, 46-47)

As all the other new approaches and ways of thinking, also planning and implementing the Blended Value Proposition demand innovation and willingness to change. Reorganizing the business and changing the strategy is never a small task. A successful change requires always an effort of the whole organization but the management, in particular, must successfully internalize the new corporate vision and bring it out to the whole organization, also in the case of Blended Value Proposition. (Emerson 2003, 50)

Putting the effort on the social and environmental performance is no longer just for the purpose to advance PR and marketing campaigns but companies try to achieve more and in a wider perspective. Instead of creating apparent impact by focusing just on issues shown outward they are interested in integrating the social and environmental performance to the organization's strategy in order to improve possibilities to increase the total value of the company. However, until recent years the impact of social and environmental performance have been questionable underrated especially for one reason; the value of social and environmental aspects cannot properly be valued as most elements of that kind of value creation is seen to stand beyond measurement and quantification. Recently, the thought of social value being unmeasurable has been challenged. Aspects of social valuation stand beyond quantification and existing metrics simply because previously there has not been any need for them and therefore there have not been any commitments to the creation of new metrics. Thus, they are not necessarily unmeasurable but unexplored. It is vital to be aware of the multiple dimensions of value instead of focusing just on the tradeoff between different measures. To create a successful and functional framework of different measures including all kind of value creation requires an understanding of Blended Value Proposition. (Emerson 2003, 35, 40-41)

As the boundary between for-profit and non-profit organizations have been blurred, or more closely, the whole new way of doing business has been arisen between them, the former idea of merely making money or give it away is not accurate anymore. This concept causes challenges to performance evaluation and finally, to reporting. The choice of doing well or good is not just for the companies to make; investors can also make the decision between investment types and this way support the pleasing purpose, whether financial or non-financial. Those in pursuit of full social value support the performance with grants with no expectation of principal or interest return whereas the other extreme wish to cover only the financial objectives by doing an equity investment or giving a market-rate loan. Social enterprises in pursuit of capital probably receive it as a form that is something between these two extremes. It can be, for example, a recoverable grant with no interests but the expectation of principal return or a loan which expects the principal return but carries below market interest rate. When investing to a social enterprise it is not a choice between social and financial returns but rather a desire to fulfill both objectives and this way achieve a value proposition composed of both. The assumption in a Blended Value orientation is a profound understanding of the idea to maximize total returns that are possible to achieve with a carefully considered combination of financial procedures and socially determined laws and regulations. (Emerson 2003, 36-37, 44)

2.7 The use of financial information in small businesses

The use of financial information and its management in business operations is vital, no matter what kind of or what size of the company is. Financial management in large companies can be taken for granted; it usually is strongly integrated into the companies' activities and its effective utilization is possible due to the substantial resources available. Financial management is critical to companies' success and survival, however, for small companies the effective use of financial information requires more effort than for large companies. A lower amount of resources and a smaller number of existing practices and methods make the management more challenging. (Collis & Jarvis 2002, 100; Page 1984, 271)

In the small company sector the opportunities and practices for financial management are quite low, but on the other hand, also the requirements for financial disclosures are less extensive than for large businesses. Small private companies usually being owner-managed reduces the risk of misuse and fraud; as the information asymmetry between the company management and the external stakeholders does not exist, there is no corresponding obligations in publishing financial information than for large, public companies. Owner-managers are not tied to an external control and this gives them the freedom to make decisions as they want. Regulations do not control the activities so tightly, and therefore, only the information, which is absolutely necessary for the operations, is usually provided. Especially as resources are limited. Small companies are driven by financial reporting requirements. (Collis & Jarvis 2002, 101; Page 1984, 271, 274; Stanworth & Curran 1976, 95-96)

Overall, the use of financial information in small companies is very limited compared with large businesses. In both cases the financial management is extremely important but their comparison is not meaningful. The need of it is not equal but also the strategies they follow differ from each other. Therefore, the assessment of the companies’ behaviour need to be related to the companies’ activities and objectives they pursue. Growth is not necessarily always the first and most important thing that is pursued in small companies. In some companies it is not even possible to grow as it would bring more complex and time consuming management functions. Certain companies prefer just to maintain the gained position while others value the lifestyle over growth strategies. Therefore, one universal model for executing financial management that every company can apply does not exist; the most expedient model considers case by case basis the prevailing circumstances and company-specific characteristics. (Collis & Jarvis 2002, 101; Stanworth & Curran 1976, 105-107)

For small private companies the reporting requirements are not equally extensive than for large public companies. Requirements for financial disclosure have been regulated to serve companies’ interest groups such as equity investors, loan creditors, banks, government and the public. However, protecting public interest loses its significance in private companies; shares are not publicly traded and therefore small companies are responsible for fewer shareholders. One of the major stakeholder groups are banks as they usually are the most significant source of finance for small companies. Banks are largely those that determine the extent of small businesses reporting. In order to obtain a loan, financial information needs to be presented to the necessary extent. (Collis & Jarvis 2002, 101; Page 1984, 271-272, 274)

Collis & Jarvis (2002, 104-105, 108) have researched general sources and utility of financial information used in the small company sector. As a result they found out that the most useful financial information was considered to get from the periodic management accounts, cash flow information and bank statements. The popularity of these three sources of information demonstrates the importance of controlling cash and monitoring performance, which can be seen to be the key factors for small businesses to succeed. According to the research, published industry data and credit rating agency data, for example, were classified to be less relevant. These sources are not seen to be useful as the information is too general for small companies operating niche markets with a relatively small customer base. Closer and more personal customer relationships require more detailed information than those external information sources can offer. Thus, small businesses perceive that the most useful advices are obtained from organization’s accountants and banks; the financial information to support company’s operations is gathered from nearby interest groups who knows the company and its activities extremely well (Bennett & Robson 1999, 172).

The most important financial information in small private companies is, more precisely, obtained from profit and loss accounts and from balance sheets. Bank reconciliation statements and cash flow statements are also seen to be significant sources of information. Thereafter the most utilized information is obtained from budgets and forecasts. On the contrary, typical tools for large companies, such as ratio analysis, industry trends and break-even analysis, are not widely used among small companies; the lack of available information, limited resources and the specific nature of the markets they operate in set significant challenges for those sources of information. (Collis & Jarvis 2002, 106-107) Information produced by financial statements and the figures derived from it are not exploited as well as they are in large companies (Page 1984, 275-276).

Despite the fact that the financial management in small companies is not carried out to the extent than in large ones, the importance to plan, monitor and control the activities remains critical to companies' success. There may be fewer tools and methods to produce and manage financial information but, however, the majority of companies apply financial management practices that include formal methods of planning and control. Even though the behaviour and practices are different from large companies, the emphasis is on the financial management; they try to maximize benefits coming out from the financial information as much as large businesses do. The main difference is the source; large businesses generate their own financial management information while small businesses rely mostly on the external sources of information. (Collis & Jarvis 2002, 108-109) Bennett & Robson (1999, 171-172) divide these external sources further to private sector sources and public sector sources. Their research results that if external sources by SMEs are used to a lesser extent, the most dominant sources of guidance are interest groups from private sector as accountants, solicitors and banks. Whereas advices are gathered to a larger extent, also public sector sources are considered.

Tracey & Phillips (2007, 266-267) define accountability to be a complex issue for social enterprises. As social entrepreneurs, due to the nature of their organizations' purpose, need to serve more stakeholders than traditional entrepreneurs, managing accountability poses new kinds of challenges. In addition to developing the strategy to meet the chosen social mission, social entrepreneurs also need to build a profitable business. Competitive products and services combined with social mission may not be straightforward. Managing the double bottom line causes similar issues; tensions are difficult to avoid completely as social and commercial objectives are both included in the companies' daily decision-making. Difficult decisions obviously need to be made in line with organizational priorities and investment strategies. However, these priorities and strategies may not be quite clear in social enterprises, especially if the double bottom line is not managed successfully. Managing social and commercial priorities at the same time is challenging; the conflict between them ”is a central characteristic of social entrepreneurship”.

2.8 Social-business management in social enterprises

In social enterprises the economic issues are not the sole matters to manage. Although in today's world of business social issues must be taken into consideration to an increasing degree also in for-profit companies, the social-business management is a challenge especially for social enterprises as their ultimate purpose is to operate in a way to stimulate social change. Elements that need to be managed is extensive as there are pursued objectives from two distinct sectors: for-profit and nonprofit. Stakeholders of social enterprises expect comprehensive reporting on social issues as much as economic issues – or even more. (Moss et al. 2011, 805-806)

Financial management for small enterprises may be challenging but even more demanding is the management when also the social objectives are there to manage. Financial information usually is used and exploited in order to achieve and promote business objectives. However, when social mission needs to be combined with business objectives, as is the case for social enterprises, tensions and challenges in their management and measurement cannot be avoided. In their research Gonin et al. (2012) address these tensions between sustaining social missions and maintaining commercial viability. More specifically, they provide an insight into the nature and management of conflicting demands. According to them successful integration of these two objectives is extremely important as together they are a prevalent and persistent aspect of social enterprises. Failure in the management of social-business tensions has a significant impact on companies' long-term performance. (Gonin et al. 2012, 2, 4) Therefore, the potential failure should be identified, not denied. Every organization has its problems and ultimately the success depends on the capability to manage them. If the focus is just on seeking success and avoidance of failure, it may end up dealing with costly errors. Success breeds further success but the most sustainable success is achieved by learning from failure. (Dacin et al. 2010, 51-52; McGrath 1999, 13, 27-28)

These kind of contradictory demands are divided into four categories that represent core activities and elements of organizations: performing representing goals, organizing representing processes, belonging representing identity and learning representing knowledge. These four types of tensions emerge all from organizations' varied systems caused by the fact that both social missions and business ventures need to be equally maintained. (Gonin et al. 2012, 7-8; Smith & Lewis 2011, 381-383)

The fact that social enterprises need to balance between social and financial goals, it will inevitably have an impact on organizations' performance causing tensions. These performing tensions are due to the simple fact that these goals are not aligned with each other but are in conflict. Tensions emerge already at the beginning when the metrics for evaluating business outcomes and social mission outcomes cannot be reconciled, and further, performing tensions emerge when the success of the social mission comes at the expense of profits and vice versa. Organizing tensions, in turn, are the result of the different systems created inside the organization in order to achieve their divers goals. Balancing between social and business demands emerges such questions as whether to separate or integrate organizational structures, practices and roles associated with them. Also the question about legal structure is an organizing tensions and to be solved in social enterprises where operational objectives are not as straightforward as they are for traditional enterprises. (Gonin et al. 2012, 8-10; Smith & Lewis 2011, 383-384)

When one and the same organization falls into two distinct sectors and tries to seek the optimum position in both simultaneously, belonging tensions cannot be avoided. Two completely divergent objectives emerge issues of identity; within the organization it is no longer clear who they are or what they do. The questions of identity emerge both to entrepreneurs and employees. Entrepreneurs may find difficulties in identifying their goals and approaches in their operations. This, so-called managing identity, may cause serious problems if not handled properly; dissonance and interference in the critical processes of organizational identification is liable to cause tensions. For employees, in turn, it can be difficult to adapt to an organization in which its profit motive and social mission are not successfully integrated. (Gonin et al. 2012, 10-12; Smith & Lewis 2011, 383-384; Tracey & Phillips 2007, 267)

Learning is the final tension to overcome when reconciling profit motive and social mission in one organization. As social enterprises grow, it is not simple and straightforward to keep social mission and its position unchangeable in the organization. The growth of an organization usually means more efficient functions and other types of organizational changes. As social enterprises seek to renew, change and develop their operations and create new business models in order to achieve the growth, it is extremely important to make sure that nothing is happened with the excess of their social missions. Other issue relates to the growth through an acquisition that are quite common among small and medium sized social enterprises (Haigh & Hoffman 2012, 131). In acquisitions to multinational corporations there is always a risk of selling out the social mission in the process as well. However, as Austin & Leonard (2008, 101) have concluded in their research, not all acquisitions with social enterprises will succeed, but ”if handled carefully, the resultant fusions can produce enduring enterprises that are good for business and good for society”. In all cases, when reaching for any kind of growth, learning tensions are an important thing to consider for not to impair the value of social mission. (Gonin et al. 2012, 11; Smith & Lewis 2011, 383-384)

Organizations that aim positive social and environmental change are designated as hybrid organizations in the research of Haigh & Hoffman (2012). For this kind of new form of organization the only objective is not to provide the best quality of goods and services but also to achieve a social change by its activities. Management is a key part of every successful business, but as there is more than one objective to manage, the importance of good leadership is even more pronounced. Additionally, aiming at social goals usually is not as straightforward as it is for traditional for-profit businesses in pursuing financial goals. For example, sustainable development requires perseverance in order to succeed. Therefore, sustainability and other social objectives alongside economic objectives demand a long time horizon together with participative social-business management and special commitment – as all exceptional achievements do. (Haigh & Hoffman 2012, 126-128)

Social enterprises – so-called hybrid organizations – challenge the traditional norms of business. Firstly, it seems to be a taken-for-granted assumption that continually increasing and unlimited economic growth is required by the market. However, social enterprises deviates from this presumption; rather, they seek to create a stable business with the aim of sustaining positive change also far in the future. Merely the short-term activities do not serve the objectives in the long run. Secondly, social enterprises appreciate environmental and social aspects differently from traditional for-profit organizations; they understand better the opportunities they bring. Social objectives are deeply integrated into the whole organization instead of having them externalized. Thirdly, social enterprises value nature beyond its resource value – unlike traditional for-profit organizations do. For traditional enterprises natural resources are seen to be just materials to be used for economic gain. In contrast, for social enterprises the value of the nature is more than just a resource value for the company itself; natural environment is exploited to enhance each own business but it also benefits the whole society. The last and perhaps the most obvious and traditional norm of business for social enterprises to break is the assumption of profit being the dominant objective of the company. Social enterprises operate not only to generate profit but also to create social value. (Haigh & Hoffman 2012, 129-130)

Despite the popularity of social and environmental aspects in businesses and their norm breaking nature, they cause challenges as well. Haigh & Hoffman (2012) have listed some problems for social entrepreneurs to face and overcome. First of all, even though the competition is not the first thing to consider for social enterprises, it is the first thing for traditional for-profit organizations. If a market niche with competitive benefits has been successfully created, it is self-evident that also other companies will become interested in it – even though it would be a niche for producing social value. Therefore the competition needs to be dealt with also in social enterprises where the mission rises above the profits. High level of competition may surprisingly become a great challenge as companies in traditional product markets develop green versions of their products to compete with social enterprises. One of the largest challenge to confront is to find a good balance between profits and social and environmental mission. Success for social enterprises depends thus on multiple components; maintaining both economic viability and social and environmental mission ”requires serving two or even three masters”. However, when succeeded completely the relationship between all components can be harmonious. The final challenge is large-scale advantage that may be difficult to achieve in social enterprises as the most of them are small or medium sized. Goods and services should continuously be produced in a more sustainable way in order to keep up with the competition. Good social-business management helps to succesfully overcome challenges caused by the requirements when operating in social and business sectors simultaneously. (Gonin et al. 2012, 7-8; Haigh & Hoffman 2012, 131-132)

Also Drayton (2002, 126-131) has listed main challenges faced by the management of social enterprises. First of all, the gap between business and society needs to be closed. Secondly, financial services need to be adapted to the new form of business; as the core of business has changed alongside the integration of social purpose, also finance needs to be diversified. Thirdly, managing by ethics may not be straightforward and simple, but the value of it is significant when searching for a balance between business and social goals and values.

3 MEASURING SOCIAL VALUE CREATION IN SMALL BUSINESSES

3.1 Background

In this section of the research Social Return on Investment (SROI) Analysis is presented. The framework of SROI is specifically created to measure the social impact. The analysis gives tools to better recognize social and environmental value creation, which naturally are the vital aspects for social enterprises. The measurement tool of SROI is one of the most widely used method among third sector organizations, therefore it is gone through in detail. Besides the instructions for measuring the social and environmental value the framework offers recommendations for reporting to stakeholders. Both principles and stages of SROI are specified.

After being familiarized with the SROI process, six case enterprises from actual business field are examined. These presented third sector organizations with a social mission have all implemented the SROI process at least once. The purpose of the organization, reasons for the usage of SROI and plans for the future improvement are discussed in each case. In conclusion, all the main points emerged from each case are grouped together in a table in order to get a comprehensive understanding of the impacts occurred as a result of implementing the SROI process.

The case enterprise Annanpura is presented and discussed at the end of this section. Annanpura is a social enterprise with a purpose to provide employment for visually impaired. After having described Annanpura’s activities, purposes and social mission, the measurement of social value creation in their organization is under discussion. The research data is based on an interview of Annanpura’s managing director. Finally, the information received from the case enterprise is compared to the theoretical basis of the use of financial information in small businesses – and also to the theoretical basis of the SROI process. The issue, whether the theory of social enterprises and their measurement systems apply to this specific case enterprise, is addressed. Also the similarities and differencies between the case enterprise Annanpura and the six other case organizations discussed in this research are examined.

3.2 Data and method

The empirical part of this research was carried out by examining various case enterprises in the field of social entrepreneurship. The six small case studies represent different types of social enterprises than the case enterprise Annanpura. Having researched different types of social enterprises gave a possibility to examine two different types of paths that could be chosen when considering the measurement of social value creation. The six case studies are examples originally presented on the website of The SROI Network, which is maintained by the network of ’Social Value UK’. The examples are conducted for the companies operating in United Kingdom. In this research, these case studies were analyzed after which the main points from each case were discussed. At the end, the results from each enterprise were gathered together in order to be able to make a comparison between the perceptions that came out.

In the case of Annanpura the data was gathered through an interview at the company’s office in Helsinki. The interview was carried out as a theme interview; there were no specific questions listed but only the main topics were drafted in advance. Therefore the discussion could proceed without restrictions, and the interviewee had a possibility to comment also the issues outside the framework but considered as important by him. After having gathered the data through the interview, it was transcribed and analyzed. Finally, the results were reflected to the theoretical base and to the results gained from the analysis of the six case studies. At the very end, two different kinds of paths of social measurement systems were outlined in a figure on the basis of the results gained from the whole analysis of the empirical part. All the case enterprises are presented more closely in their own sections.

3.3 The principles and stages of SROI process

In order to express the impact made by third sector organizations the social and environmental value needs to be better recognized. Wider knowledge of the exact value creation enables more efficient resource allocation with the right timing. The Social Return on Investment (SROI) Analysis has been created to meet the requirements of better recognition of the value creation. It supports third sector organizations' impact communication with their customers, government and the public. The SROI analysis provides a standardized way to measure and analyze the social, environmental and economic value generated by organizations' activities or by the activities they are funding. (Byrne & Brennan 2009, 3, 7)

The framework of SROI has been created to cover the previously outlined area, the social impact. Thus, full impact is never reached only with financial aspects; by providing those as sole information stakeholders are being misled. The framework enables better understanding of the value creation as a whole by incorporating all three aspects. By considering economic, social and environmental costs and benefits SROI analysis measures the whole change and makes the process visible. These are shown in monetary values that enable the calculation of an SROI ratio. However, the SROI ratio cannot be the sole indicator on which the stakeholders base their decisions; the way up to the ratio, the theory of change, is just as important, if not more. (Byrne & Brennan 2009, 8)

SROI can be either evaluative of forecast. Evaluative SROI is "conducted retrospectively and based on actual outcomes that have already taken place" while forecast SROI predicts "how much social value will be created if the activities meet their intended outcomes". Which one is better depends on, for example, in which form an SROI analysis is carried through, how experienced an organization is in producing it, and how developed is the data collection system and what kind of data is already available. The question of resources needs to be considered as well; is it worthwhile to go with the analysis through all organization's activities or focus only on one specific activity. If the report is indicated only internal use it may be cost-effective and less time-consuming to produce it in-house. For external reporting purposes the investments need to be much greater. (Byrne & Brennan 2009, 8, 12)

The SROI analysis is based on seven principles and is built on six stages. The principles advice how the analysis should be applied and the stages set the direction to go through an effective analysis. (Byrne & Brennan 2009, 14, 96-98) Below there are presented the theory and meaning of each principle and stage in brief.

The principles

1) Involve stakeholders.
    - Stakeholders' involvement is the key component as they are those who experience the change. Stakeholders' identification and involvement ensure their awareness of what get measured and how.
2) Understand what changes.
    - Created value is always a result of different types of changes (positive/negative, intended/unintended). The contributions of stakeholders enable these changes to occur which are the outcomes of the made activity. These outcomes are measured in order to provide evidence to support the theory of change.
3) Value the things that matter.
    - Financial proxies need to be created in order to give a value to the social impact. These proxies enable to value the outcomes that are not traded in markets.
4) Only include what is material.
    - Judgment will be required throughout the process but in this principle its meaning is extremely important. In order to provide a true and fair picture of the value creation, an accurate assessment of the included information is required.

5) Do not over-claim.
    - The question of what would have happened also without organization's contribution is to be considered. The influence of other people and organizations are issues to be taken into account in order to not over-claim the organization's effect on the occurred change.
6) Be transparent.
    - Each decision relating to the analysis needs to be explained and documented. Transparency increases credibility.
7) Verify the result.
    - Appropriate independent assurance is required in order to mitigate subjectivity involved in an SROI analysis. It helps stakeholders assess the rationality of personal judgments made by those responsible for the analysis. (Byrne & Brennan 2009, 9, 96-98)

The stages

Stage 1: Establishing scope and identifying stakeholders

Establishing scope is the first thing to do when getting the SROI analysis started. Without having clear boundaries of what is being included the problems may occur in the following stages. Obscurity of the scope may cause wrong assessment of available resources and eventually the whole analysis may turn out to be even unfeasible. Thus, setting the scope and defining why the analysis conducted is vital. (Byrne & Brennan 2009, 9, 16-26)

Issues to consider in setting the scope are purpose of the analysis, audience to whom it is allocated, background of an organization's activities, available resources such as time and money, requisite competence to carrying it out, the range of activities on which to focus, the timescale over which the impact measurement is considered, and whether to choose an evaluative or forecast analysis. After establishing scope the next step is to identify relevant and significant stakeholders – those, who experience the change, whether positive or negative – and get them involved with the chosen methods. (Byrne & Brennan 2009, 16-26)

Stage 2: Mapping outcomes

The second stage is for clarifying how the made intervention makes a difference. Activities defined in the scope use certain resources to deliver new activities, and these result in outcomes for stakeholders. In other words, exploiting inputs by re-forming them can be eventually measured as outputs and this is the path in creating outcomes. This relationship between inputs, outputs and outcomes is called an Impact Map and it is central to the SROI analysis. At this point it is crucial to get stakeholders involved; they are the source of information in constructing the Impact Map. By involving them ensures that those outcomes that really matter will get measured and valued – and the stakeholders will receive the benefits. (Byrne & Brennan 2009, 9, 29)

The Impact Map construction starts with the fulfillment of the top section which includes the information of the organization, of the objectives the analysis aims to cover and of the scope which has been defined during the first stage. Thereafter the focus is on the bottom sections starting with identifying and valuing inputs. When identifying inputs the question to consider is what the stakeholders invest in order to get the change happen. These investments, for example time or actual money, are the inputs that enable to perform the activity. The financial value of the inputs is derived from the investments, and depending on it, it may be simple or more complex to establish. The single grant, for example, is clear to value if it is wholly used to the activity at issue. Other kinds of contributions, for example non-cash items, need much more effort to put value on. The inputs' careful valuation ensures consideration of the full cost of delivering your service. (Byrne & Brennan 2009, 28-32)

After having the inputs identified and valued, the next step is to clarify outputs and finally to describe outcomes. The outputs are defined to be a quantitative summary of an activity whereas the outcomes are descriptions of the occurred changes. Describing and measuring the outcomes carefully is extremely important as it is the only way to verify that changes for stakeholders are really happening. However, the final descriptions of the outcomes need to include also the perceptions received from stakeholders as they are those to experience the change. Though, it should be remembered that stakeholders' views are not the only factors to consider in determining the significance of each outcome; SROI should be kept as stakeholder-informed rather than stakeholder-led. (Byrne & Brennan 2009, 33-35)

Stage 3: Evidencing outcomes and giving them a value

After having the outcomes described in the previous stage, it needs to be proved that they have happened. This stage's purpose is to develop outcome indicators which enable the evidence collection in order to show whether outcomes have occurred. The fulfillment of the Impact Map goes forward with clarifying at least one indicator for each outcome defined earlier. Outcomes are the measures of change and indicators are the ways of proving whether it has occurred and by how much. (Byrne & Brennan 2009, 10, 36-38)

In identifying outcome indicators the stakeholders' perceptions play a huge role; they are those to experience the change. Stakeholders can describe the change and clarify what has happened as a result. By communicating with stakeholders it can also be ensured that the chosen indicators are relevant to those that are target groups and really matter. At this point, when the indicators have been developed, it is also appropriate to verify that the focus is still tightly on the defined scope and the indicators can be measured within the allocated resources. The most important thing to consider is the basic principle of SROI of measuring and valuing the things that matter; measurability does not necessarily mean easy to measure but measure what matters even though it would be more complex. (Byrne & Brennan 2009, 38-40)

When the outcome indicators, and in what extent the change has happened, have been defined, the next phase is to put a financial value on each outcome. The goal of the valuation process is to create a monetary value to things that do not have a market price. This can be accomplished through financial proxies that are used to value the change. Due to these proxies it is possible to estimate the value of the change, and thus the social value to different stakeholders. The process of valuation is always subjective. For the things that do not have a market price it is just more complex because the price discovery does not exist. Even though the service would be available at no charge, a value to the service users exists though. Irrelevant is also the question whether the stakeholders can afford to buy the goods or services as a value can still be placed on it. (Byrne & Brennan 2009, 45-48)

After having values estimated and combined, an estimate of the total social value resulted from an intervention is created. Apart from defining a value, the duration of the outcome needs to be estimated; the outcome may last even though the activity has stopped which means the value is still generated. Once again, to get stakeholders involved is crucial. They can help in finding appropriate proxies as they are those to know what the change is worth to them. (Byrne & Brennan 2009, 43, 46, 50)

Stage 4: Establishing impact

Stakeholders experience the change. However, the perceived experience may not be entirely due to the organization’s activity. The effects of other factors need to be considered as well as those aspects of change that would have happened also without the organization’s intervention. When establishing impact it is important to recognize all of these issues in order to avoid over-claiming. This stage provides the tools to assess whether the outcomes analyzed in the previous stage have occurred as a result of the organization’s activities. (Byrne & Brennan 2009, 10, 55)

Those things to consider before establishing impact are deadweight, displacement, attribution and finally drop off, which will be subtracted from the value of the impact after the first year. All components are presented in percentage. Deadweight is a measure of the amount of outcome that would have happened anyway. In order to calculate it, the best reference is made to comparison groups or benchmarks to which the intervention was not directed. A perfect comparison though cannot effectively be found which means determining deadweight cannot be more than just an estimate. In order to get deadweight measured as realistically as possible it is worthwhile to put effort on searching the comparison group as similar as possible. Assistance from the stakeholders is helpful also in this case; an inquiry on other services they access can form a base in measuring deadweight. (Byrne & Brennan 2009, 56-62, 66)

The assessment of displacement tells how much the outcome displaced other outcomes. Attribution's purpose, in turn, is to define how much of the outcome was caused by the contribution of other factors. By acquiring the awareness of other possible organizations or people contributing to the change observed helps also to verify that all relevant stakeholders are included in the analysis. The estimation of attribution can be based on the experience from earlier events, on stakeholders' perceptions and on the consultancy with the other organizations who may have contributed to the change. (Byrne & Brennan 2009, 57-61)

The last component of impact is drop off which is calculated for outcomes with the duration of more than one year. In future years the amount of outcome is likely to decrease or at least be influenced by other factors. Drop off is then an estimate of the lower attribution calculated by deducting a fixed percentage from the remaining level of outcome at the end of each year. Finally, the impact is established by calculating a total value of each outcome (financial proxy multiplied by the quantity) with the deductions of deadweight, displacement and attribution. Drop off is subtracted until after the first year. (Byrne & Brennan 2009, 61-62, 66)

Stage 5: Calculating the SROI

Finally, after having gathered all the information together through above-mentioned stages, the knowledge to calculate the SROI ratio exists. This stage provides the tools to summarize the financial information recorded during the SROI analysis; the financial value of the investment and the financial value of the social costs and benefits are the components to be calculated. After reaching and completing this fifth stage, the SROI analysis has gone through and the ultimate purpose of it, the SROI ratio, has been created. However, the interim evaluations should not be ignored either; due to them the intervention's effectiveness could be analyzed already in the course of the process which gives an opportunity to make changes already in early stages if required. (Byrne & Brennan 2009, 10, 65)

After having the ratio calculated, the sensitivity of the results can be tested if needed. For managing purposes it may be useful to recognize the extent to which the results would change if there were changes in the estimates made in the previous stages. By finding out the assumptions with the greatest effects on the results can show the priorities in managing the value – thus worthwhile in finding the maximum results. (Byrne & Brennan 2009, 10, 69)

Stage 6: Reporting, using and embedding

The SROI analysis is now completed but the whole process is not complete until the final stage has been considered. Completing this stage properly is crucial in order to make use of the effort done in each phase through the analysis; reporting the results to the stakeholders and communicating effectively with them is the fundamental target of the entire process. Without recognizing the occurred changes and without acting as they require the gained benefit will be lost. (Byrne & Brennan 2009, 10, 73)

It is not though insignificant how the final report is presented and the results in it communicated. The purpose of the information's use and the target groups may vary a lot due to which the relevance of the information needs to be ensured in each case separately. In any case, the results need to be reported in a meaningful way in order to fulfill the purpose of the SROI to the stakeholders – creating accountability. The final report should contain the SROI ratio supported with the story of change comprehensive enough; the bare ratio is useless without the knowledge of how it was achieved. Thus, all the decisions and assumptions made along the way should be included. Too extensive reporting, however, should be avoided. Compact and consistent report with a structured framework meets the requirements of the principles of transparency and materiality while being also comparable with other reports. (Byrne & Brennan 2009, 74-75)

The benefits coming out of the SROI analysis is not pointed at the stakeholders alone; also the organization may, and should, take the most advantage out of it. The information found out about the organization's performance during the process may help them to improve and refresh their strategic planning as well as redirect their activities. (Byrne & Brennan 2009, 74, 76)

3.4 SROI Case Studies

Below there are presented six case studies from various third sector organizations with a social mission. In each case a company representative explains the organization's purpose, achieved benefits and possible challenges, and any changes made to the organization's activities as a result of SROI analysis. Interviews clarify also the issues learned during the SROI process, possible changes that they have planned to do to the process next time, and other plans they may have for the future regarding the process.

Case Study A (The SROI Network 2014a)

The purpose of the organization

Organization A's social businesses concentrate on improving the quality of life of people living in poverty and unemployment. Social change is pursued by providing those people the training and work experience opportunities in order to get the organization’s ultimate purpose, the better quality of life, fulfilled.

Reasons for the usage of SROI and discovered findings as a result

SROI analysis has given various benefits to the organization A. The most significant benefit they mention to be the greater understanding of the ways to improve their performance and of the factors that are those to have the biggest influence on producing the best possible outcomes for organization’s stakeholders. In general, SROI analysis has improved the understanding of the whole value of the impact organization create. It gives better opportunities to provide stakeholders more transparent and responsive annual report including all key issues from successes to challenges in organization’s activities. One crucial thing relating to stakeholder involvement was discovered as a result of the process. In the past their focus of stakeholder involvement was on the achievement of their organizational objectives but now, through the SROI analysis, stakeholders’ own perspective is the main thing to consider.

Issues to improve next time and future plans

The future plan is to establish social value creation targets alongside the financial ones to monitor the business by developing ways of using SROI as a forecasting tool. Work needs to be done in order to get the SROI analysis widely understood throughout the organization. Especially, when planning to use forecast analysis, more people should be aware of the stages through which the ratio is created as well as the factors which have the greatest impact on it.

Case Study B (The SROI Network 2014b)

The purpose of the organization

Organization B is a social enterprise which runs outside catering business to provide employment opportunities for vulnerable and formerly homeless people. In addition, they run an academy, targeting trainees looking for employment, with a purpose to prepare them for work.

Reasons for the usage of SROI and discovered findings as a result

Organization B emphasizes its position as a business with social aims that needs to prove its created added value unlike a charity. SROI has given a tool to prove that impact in auditable and transparent form. Organization formed its impact map through various interviews with a range of identified key stakeholders. This whole process of stakeholder involvement was very labor intensive in the short term but the organization saw the benefits coming in the long term will eventually pay the made investment back.

As a result of completed SROI analysis the organization mentions it has received various benefits. During the process they realized that all things in the business did not happen as they should have been. Regarding their training academy the analysis revealed that all expectations were not being met. After these deficiencies occurred they developed an improvement grid in order to get requisite changes made. The analysis has also shown the need to recruit people with specific skills in order to maximize the growth of the organization. The positive outcomes from the clients' side arose much more than they had expected. Not only has the organization got a better ability to report on the overall impact of its activities, it has also learned more about their stakeholders.

Issues to improve next time and future plans

Organization B sees that it is essential to get the SROI embedded into the organization for the reason that it has realized that the wide understanding of the created social impact gives a unique selling point. For now the SROI analysis has been implemented only for the academy but later on the intention is to apply SROI principles to the whole business. As the stakeholders' involvement and their interviews were so time-consuming, the organization has considered reducing their number next time excluding the less material ones. Even though it may be needed to allocate more time to the whole process, it is expected to proceed easier as the staff as well as the stakeholders are more familiar with it.

Case Study C (The SROI Network 2014c)

The purpose of the organization

Organization C is a social enterprise that supports other social enterprises by providing high-quality, low-cost office space. The ultimate purpose of the organization is to support a thriving social enterprise marketplace with it partners from various sectors.

Reasons for the usage of SROI and discovered findings as a result

The most significant thing for organization C is to support and improve its growth strategy and SROI analysis was seen to be the best tool to achieve this target. They wanted to avoid the danger of measuring what's easy and get the focus on things that matters to customers and stakeholders even though it would be more complex. It is essential to understand customers' perspective in value creation process and what kind of influence the organization has on the customers' organizations' growth. SROI analysis gave tools to show stakeholders how both financial and social targets were met. It also proved to be useful for marketing campaigns and gave new ways to get stakeholders involved. As a result of SROI analysis, organization C found new ways to support and encourage their customers and got a confirmation that their activities have absolute social and economic value for their customers. The findings got out from the analysis benefited not just the customers and stakeholders but also organization's partners by being able to prove the professionalism of the business and commitment to the mission.

Issues to improve next time and future plans

For organization C SROI already is a core part of their business management. Though, public awareness and demand for social enterprises will constantly increase which set requirements to be even more transparent. The value the organization says it creates it needs to be proved clearly; SROI gives the opportunity to build trust, loyalty and commitment in the eyes of the stakeholders. In embedding it into the organization, all kinds of expectations and prejudices should be avoided. Instead of explaining the process and its possible faults the benefits coming out of it should be emphasized. The majority of the customers of the organization C say they have improved their business as a result of the support they got from the organization C. The customers experienced to get new business opportunities, to achieve increased staff morale and to obtain cost savings.

Case Study D (The SROI Network 2014d)

The purpose of the organization

Organization D is a small charity that delivers community-based projects with a purpose to improve the lives' of the community they operate in. They offer legal advice services like helping with debt, consumer rights, housing, welfare benefits and employment law. As another project they coordinate a gardening course with a purpose to maintain a community garden by the course's students. Organization runs also English as a Second Language classes targeting mature women.

Reasons for the usage of SROI and discovered findings as a result

For organization D the reason for carrying through the SROI analysis was to investigate predicted and unpredicted outcomes of their activities. The ultimate purpose for this was to be able to show the real impact they created of their work. With the help of the results the intention was to try to maximize the impact on all clients.

Organization carried the analysis out through the interviews due to which they could get an insight into the client perspective. As a result they found that the employment opportunities were not the only value they could create to their clients. The most important value they realized to be the confidence the clients gained as a result of participating in organization's activities. Being more confident the clients learnt a lot more than they had expected and this was the key to increase their confidence even further. One major thing was to realize that the increased confidence created also a strong positive prospect for the future in clients' mind. Due to the SROI analysis the organization has better tools in marketing their activities and in reporting their work to the stakeholders.

Issues to improve next time and future plans

For the future the organization D is much more confident to carry through the process as they can exploit the experience. The knowledge of previous clients gives a better base to guide new clients in order to offer them the best possible learning. The earlier experience increases the efficiency of the analysis and helps to structure the organization's communications strategy.

Case Study E (The SROI Network 2014e)

The purpose of the organization

Organization E is a specialist training organization that runs a training facility to people with mental health illnesses in order to enhance their abilities and opportunities to access work and further education. Training facilities are organized through various workshops and craft areas with the intention to sell some of the made products. By offering a supportive but realistic work environment through these workshops they encourage and direct their customers towards employment. By involving these people with mental health illnesses in their training programs they offer them a better community participation which enables them to regain the direction of their lives.

Reasons for the usage of SROI and discovered findings as a result

Organization E found out that SROI analysis serves best their purposes to show what they do and how effective. Their new organization policies required more specific confirmation to stakeholders of the value they created and SROI proved to be a credible way to show the made impact. Implementing the SROI analysis has changed the organization's way of thinking; they achieved a wider understanding through the process and as a result they realized the real importance of their products and the true value they could produce with the investments they received. There occurred aspects that they couldn't think before, for example, their customers experienced to get value from things they didn't realize to consider earlier.

SROI analysis revealed also the value of communication; as a result of the analysis, organization E has compiled a communications strategy. Now they are aware of their stakeholders and they know how to communicate their mission to them. Due to the knowledge SROI offers they are able to serve their stakeholders more customized. SROI analysis also helped them to recognize the need of extra competence in marketing.

Issues to improve next time and future plans

Organization E has run the SROI analysis twice. Since the first analysis SROI needed to be updated in order to ensure the efficiency of the process and that the requirements of the new policies were met. The changes made were small but the effect was huge. They achieved higher cost-effectiveness by becoming more aware of their organizational activities and their duration. These subtle changes have given the direction also for the future SROI. Additionally, stakeholders' involvement needs to be better considered.

One major thing that the organization E experienced as a result of the SROI analysis was the confidence to move forward. Even though it causes a lot of work, they want to run the process also in the future as the benefits have been so obvious. Though, despite all the achieved benefits, implementing the SROI analysis causes considerable amount of economic expenses. Therefore it needs to be sure that it is worth it.

Case Study F (The SROI Network 2014f)

The purpose of the organization

Organization F operates in the sector of online charities by providing advice, support and information to young people aged 16-25. They have built a guide to life for young people, covering all possible questions that might occupy youth’s mind. Their services are based on the continuous availability; whenever and wherever they are needed.

Reasons for the usage of SROI and discovered findings as a result

Organization F needed a way to show the true value of what they did; SROI proved to be a useful tool for that. For organization itself it was clear that by carrying through the activities and their mission they were creating social value but it still needed to be proven to their funders.

As their target group was people in crisis it turned out to be very challenging to track the impact of their services. Service users were people trying to solve their problems so understandably the data gathering could not be straightforward. As a result organization needed to be creative while advancing with the process and adapt SROI principles to their specific needs. After carrying through the process and getting the results they realized how important it is to measure and report the impact in a consistent way. It is possible to put a value on things that at first seem to be too challenging to measure. SROI analysis demands a lot of effort and is time-consuming but worth it.

Issues to improve next time and future plans

Organization F achieved that many benefits from implementing SROI analysis that they are definitely going to carry it through again, with an updated version. They will also run the analysis to their other sections as they experienced it to be very useful for the first one. Next time organization will improve the analysis to be even more consistent.

Below can be found a conclusion of the case studies presented above. All the main points from each case are grouped together in the table

Table 1: Conclusion of the case studies

	Purpose	**Main benefits & possible challenges**	**Future plans & issues to improve**
Case A	To offer training and work experience opportunities for people living in poverty and unemployment.	A greater understanding of the ways to improve organization's performance. Better transparency and responsiveness.	To establish social value creation targets alongside the financial ones. Forecast SROI. Get the analysis widely understood throughout the organization.
Case B	To offer employment opportunities for vulnerable and formerly homeless people. An academy to prepare its clients for work.	A tool to prove the impact in auditable and transparent form. Labor intensive but worth it. A revealed notice that all expectations were not being met. A better ability to report on the overall impact and a better understanding of stakeholders.	To embed SROI into the organization. To apply SROI to the whole business, not only to one activity. Exclude less material stakeholders. To allocate more time.
Case C	To provide high-quality low-cost office space for social enterprises. To support a thriving social enterprise marketplace.	A tool to support and improve organization's growth strategy. The knowledge to measure things that matter. A better understanding of customers' perspective in value creation process. A tool to show how both financial and social targets are met, a tool to improve marketing campaigns and a tool to get new ways to involve stakeholders. A better	To be even more transparent and clear about the value they create. To emphasize the benefits more all over the organization.

		ability to support and encourage their customers and to prove commitment to the mission.	
Case D	To deliver community-based projects to people living in the community they operate in; to offer legal advice services, to coordinate a gardening course and to run English as a Second Language classes.	To be able to investigate predicted and unpredicted outcomes of their activities and eventually, to maximize the impact on all clients. A better ability to get an insight into the client perspective. A better tool in marketing their activities and in reporting their work.	To increase the efficiency of the process through exploiting the earlier experience. To better structure the organization's communications strategy.
Case E	To offer training facility to people with mental health illnesses. To offer a supportive but realistic work environment in order to encourage their customers towards employment.	A better ability to show what they do and how effective. A wider understanding of the real importance of their products and of the true value they could produce. A better awareness of their stakeholders. Recognition of the need of extra competence in marketing. A higher cost-effectiveness. Causes lots of work but is worth it.	Small updates in order to ensure the efficiency of the process. A better consideration of stakeholders' involvement. A higher confidence to move forward. An intention to serve their stakeholders more customized.
Case F	To provide advice, support and information to young people; an online guide to life covering all possible questions and problems.	A tool to show the true value of what they did. A tool to gather also sensitive information and measure challenging things. An understanding of the importance of measuring and reporting the impact in a consistent way. Demands a lot of effort but is worth it.	Next process with an updated version. An intention to run the analysis also to their other sections as it proved to be useful. Improvements for the analysis to be even more consistent.

In conclusion, the most important benefit gained was the wider understanding of the impact they create. As a result of this understanding they could improve their performance and their ability to serve their stakeholders. They could increase their organizations' growth and were able to carry out the organizations' processes more efficiently. The challenge to be considered was the possible nature as a financial burden to the organizations which eventually turned to be worth it. They realized the SROI analysis caused a lot of work and expenses and was very time-consuming. However, without exception the gained benefits exceeded the costs.

3.5 The case enterprise Annanpura

The case enterprise of this research is a social enterprise called Annanpura. The section begins with a brief description of the organization followed by the discussion based on an interview with a company representative. After having concerned the subject of measurement of the organization's social value creation, the received information is compared to the theoretical basis.

3.5.1 A brief description of the organization

A social enterprise runs a business with a motive to solve a chosen social problem. In the case of the organization Annanpura the social flaw they are supporting is difficult employment opportunities for the people suffering from visual disability. Annanpura runs its business in order to provide employment and career opportunities to these people that otherwise would be marginalized in the labor market by reason of their disability. (Annanpura 2014)

The organization was established in 2010 through a project which aimed to cover the gap left from the change of patient systems in health care. Word processing in health care used to be one of the traditional professions for visually impaired – until the electrification of patient systems carried with the millennium left them unemployed. As a response to this sudden unemployment Finnish Federation of the Visually Impaired established a lettering service in 2001 which was in 2010 organized to the limited company (Annanpura Oy) in order to enhance and simplify the business. Nowadays Finnish Federation of the Visually Impaired's wholly-owned Annanpura provides services in the sections of testing and consulting online services for use by visually impaired, lettering of research material, and demanding word processing in the areas of jurisprudence and health care. In the long term the organization possibly aims to expand the service field by developing different kinds of concepts where the visual disability can be turned into a strength. (Annanpura 2014)

At the moment Annanpura provides employment for 18 people. The primary aim is to employ visually impaired, though one of these 18 employees is physically disabled. All employees work full-time, half-time or 85 per cent of the time, as they prefer. Geographically the business is located throughout Finland as all employees work from their homes. This enables Annanpura to provide employment all over the country, not just in the capital where the organization’s office is situated. This, in turn, gives better opportunities to meet Annanpura’s growth objectives. The essential thing is not to get more billable work but the priority is to increase the number of employees. Profits are pursued only to the extent where the business is economically reasonable and can cover the costs resulted from the organization’s activities. If the profit still remains after the cost recovery it is left to the growth. (Annanpura 2014)

During the existence of Annanpura the organization has served numerous customers from various sectors. Clientele consists of universities, vocational high schools, research institutes, museums, researchers, authors, associations, law offices, authorities and various enterprises. Additionally, in the area of testing and consulting online services for use by visually impaired persons, Annanpura’s work contribution is exploited among ministries, various agencies, public utilities and different kind of enterprises as well. (Annanpura 2014)

In 2012 Annanpura obtained the right to use the social enterprise mark that is an indication to the fact that the organization has a positive impact on society. The status of social enterprise is seen to increase the positive coverage in the market. (Annanpura 2014)

3.5.2 Measurement of social value creation

Below there is a brief description of Annanpura's perceptions regarding the social value creation and its measurement. The data of this section is based on an interview of Annanpura's managing director Ari-Pekka Saarela. The interview was conducted as a theme interview; the main topics of the interview were drafted in advance and the discussion during the interview proceeded freely concerning the predefined themes. The themes concerned in the interview can be found in appendix 1. Topics are discussed in a practical point of view by contemplating if measurement tools of social value would bring benefits to the organization and how they could be applied, what is the role of the owner in measuring and how they are reported on the progress of the activities, and, what is the effect of society's subsidies on business operations as a whole. The applicability of the SROI process to Annanpura is also concerned. Finally, reporting to stakeholders and the prospects are briefly discussed.

The meaning of the measurement of social value creation

The main social value for Annanpura is the employment of visually impaired. As the indicator of social value creation is that simple and transparent, the managing director of Annanpura sees that the measurement of it would not be meaningful. For that reason the enterprise experience that it does not need any kind of scorecard for the social value – not even though the company is a social enterprise with a main purpose to serve the social good. Neither plans for the future include thoughts of creating a measurement system as the organization's social purpose will be retained as concrete as it is at the moment – the social value is measured directly through the number of employees.

> *"For us the social purpose is kind of so clearly integrated into our organization – our main social value is employment. It is so transparent and concrete that there is no need to measure it."*

Annanpura also saw that any kind of social value measurement system would not benefit in supporting, for example, the company's growth, or other goals.

> *"Of course it is our purpose to grow and to be profitable. But in the end, all is nonetheless culminated to the ability to employ visually impaired. Through being more profitable and through earning better we are able to employ more and more. This way we aim to further develop our activities."*

The continuing objective is to increase the number of employees – also in the future.

> *"For us employees are a resource. Our aim is to develop our business in a way that we figure out some new forms of service. And also this aims at the ability to employ more."*

According to Saarela, the importance of their organization is pronounced to their employees, as there practically would not be any other employment opportunities. Most of the Annanpura's employees would probably be unemployed applicants if not being employed to Annanpura.

> *"In any case for visually impaired in Finland, especially in this kind of economic situation, opportunities to get employed are extremely weak."*

The role of the owner

The fundamental purpose of the whole company is to use as much money as possible to support and accomplish the social mission of the organization. The purpose of the owners' is not to get dividends but to reinvest it into the business in order to increase the number of employees. Annanpura is a wholly-owned company of Finnish Federation of the Visually Impaired that has, already before establishing Annanpura, done a lot in order to be able to create employment opportunities for visually impaired. Therefore, the mission is already deeply rooted and the work has been done over the long term. The role of Finnish Federation of the Visually Impaired as an owner has traditionally always been active, and establishing Annanpura is a modern continuum to employ visually impaired. The role of the owner is significant but reporting to them requires no measurement systems either.

> *"The role of the owner does not need any measurement systems either. The business of the company has been profitable but the owner has not taken any dividends. All is used to develop this company."*

The support given by the society and reporting to them

Being a social enterprise gives a right to receive a subsidy from the society. When Annanpura was established they received a subsidy to support the planning and the marketing of the business. In order to get the business run, the meaning of the subsidies is significant. When business is already running, the meaning is pronounced in order to maintain the competitiveness and, in fact, the operations of the organization. Without the subsidies running the business would practically be impossible. Even if the work could unimpededly be done by visually impaired, in all cases a person with no disability would be faster. Therefore, the subsidy is an irreplaceable element to cover the impairment of the productivity.

> *"Without subsidies we would not have any chances to compete in the market. This is because of the impairment of the productivity and because of the way our market operates. Wage subsidies are vital."*

The reporting to the society is a monthly standard procedure, as wage subsidies are received once a month. Other kind of social reporting is not required.

Does the SROI process apply to Annanpura?

Annanpura has a significant role to play in the lives of their stakeholders. By running the business Annanpura creates a positive change for their customers but the impact is extremely powerful for their employees; without the employment opportunities offered by Annanpura their employees would likely be unemployed. The services that Annanpura offers would surely be available also elsewhere but nevertheless also the customers' relationship to Annanpura is close and stable. The customer loyalty is of great importance as a status of social enterprise is seen to have an added value. In addition to these two groups, the owner is remarkable stakeholder. For the owner the most important element is the high capability to provide employment, which can be achieved through the satisfaction of other two interest groups; customers' satisfaction assures the continuous employment and employees' satisfaction enables the continuation and extension of the business. The high quality of service is a guarantee of success.

Despite the fact that SROI process is a good way to verify the social value created, it loses its meaning when applied to Annanpura. The purpose of SROI tool is to make organization's processes more transparent and to improve their efficiency. The aim is to identify the factors that have an impact on creating social value and finally to measure the value created. However, in the case of Annanpura the social purpose and the means to pursue it are already so transparent that implementing an SROI process would not bring any added value, more like needless growth of the costs. For all stakeholders, the substantial and pursued change resulting from Annanpura's operations can be directly seen in daily activities.

> *"Apart from being a social enterprise we are also like any other business; we need to compete and provide high-quality services. We facilitate our customers' lives by providing services that meet their requirements. The customer satisfaction increases also through the new kind of service concepts that we have managed to develop. In terms of social aspects, I assume that being a social enterprise is sort*

> *of a bonus to our customers. They buy high-quality services but at the same time, by making the purchase, they also produce social good as a bonus. The customer satisfaction can be seen concretely, therefore I would experience that there is no need to prove it by measuring it. I do not deny that it could be possible to find something new if social value creation was measured. But we do not have the need and there is no point to measure without the need."*

By implementing an SROI process there is a purpose to find out positive and intended but also negative and unintended changes for stakeholders and the whole society. Positive changes are naturally pursued but as a side effect also negative changes can occur unintentionally.

> *"I have not experienced or perceived any negative impacts. Of course, as we are in business world there might evoke the idea that social enterprises could distort competition due the wage subsidies. But on the other hand, our competitors could as well employ visually impaired or other disabled people. And then receive wage subsidies."*

Reporting to stakeholders

The clarity and transparency of Annanpura's business operations influence also the reporting to the stakeholders. The fact that the organization produce social good does not need to be verified with extensive reporting to several interest groups as the indicator of success in pursuing the social mission is the number of employees. There is no need to report the process behind the employment; the appropriateness of the process and the fulfillment of the social purpose can be verified by observing that the employed person is disabled. However, for the owner it is important to know organization's activities more closely.

> *"Of course with the owner we communicate constantly, and in our board, there are the chairman, managing director and financial director of Finnish Federation of the Visually Impaired. There is a*

> *continuous intercourse between us and therefore they are highly aware of our situation. Through our operations and success we report constantly."*

Prospects for the measurement and reporting

For the future there are no changes in sight. Therefore developing the measurement systems and reporting practices remain unnecessary. Annanpura's business operations will be continued similarly and the focus in the pursuit of social good will remain the same. Creating a measurement system would not be meaningful – neither now nor later.

> *"The owner is Finnish Federation of the Visually Impaired, thereby the social purpose is clear and strongly integrated. For the future, I do not see any changes to occur in it."*

3.5.3 Discussions of the theoretical base's applicability to Annanpura

In small enterprises the operations usually are not so wide-ranging that the measurement of organization's performance would have the highest priority. The performance evaluation is ignored mainly for two reasons: the lack of time and resources. However, even if there were enough time and available resources, developing a measurement system would be unlikely – measurement in small businesses is simply seen to be unnecessary. This is the fact also in the case enterprise of this research. Organization's activities are so concrete and transparent that the measurement is not considered to be of benefit. The case enterprise defines the success of the social purpose by the number of employees and their satisfaction to work in the organization. The success of the service production is, in turn, defined by the satisfaction of their clients. The information of performance evaluation is therefore obtained mainly from the external sources as the case usually is in small businesses. Being aware of the fact that social entrepreneurs need to serve more stakeholders than traditional entrepreneurs and managing double bottom line is not straightforward, on the one hand it is surprising how little focus is used on measuring performance. On the other hand, there would not even be a point to measure – activities are so transparent that the benefit gained from measuring performance would not outweigh the cost.

The measurement tool of SROI is one of the most widely used methods among social enterprises. However, applying it requires organizations' to fulfill certain features – all types of businesses and activities do not benefit from implementing a pre-defined framework. A process that in detail proceeds step by step towards the results is too heavy to implement in small businesses. If organizations' business operations are simple and the social purpose can be concretely defined, the process of SROI would probably not bring any new insights for the management to consider.

Two main purposes to gain from implementing an SROI analysis are to involve stakeholders better and to be more transparent. However, the business of the case enterprise is integrated extremely strongly to their stakeholders, and this ensures the fact that in any case they cannot be ignored. Organization's activity itself is transparent and concrete; therefore measuring it would not be meaningful. Once again, the benefit gained from measuring social value creation would not outweigh the cost.

The usefulness of the SROI process depends strongly on the nature of the business and on the type of the social mission. Other social enterprises find the process to be of great benefit while others see it to be too heavy and unsuitable for their purposes. In the six small case studies of this research the successful realization of the social purpose can partly be seen directly, but the most part of the created impact can only be seen in the long run. Therefore the measurement of the social value creation is reasonable and even essential considering to maximize organization's ability to improve their future operations. If the activity to achieve a social change is made at present but the exact change is realized until in the long term, it is necessary to measure it in order to verify the cause and effect relationship. Nothing can be improved if not being aware of the source. As the theoretical base confirms it, the most sustainable success is achieved by learning from failure (Dacin et al. 2010, 51-52; McGrath 1999, 13, 27-28). Learning will not occur if the performance has not been measured.

For the case enterprise of this research the starting point for measurement is slightly but vitally different. In the organization of Annanpura the nature of pursued social change is that kind of where the achieved impact can be seen immediately. Detecting the change does not need observation in long time perspective. The main part of the social purpose of providing employment for visually impaired is fulfilled when the employment has been made. It is obvious that the employment brings positive change and creates positive opportunities also in the long run, but the social mission of the organization is fully completed already in the short term. Therefore the measurement of social value creation is not worth it – at least not with the factors at present involved. However, the results from six case studies prove that the SROI process can be of great benefit if implemented with suitable features.

Among the six small case studies considered in this research the most important benefit gained from implementing the SROI process was the wider understanding of the impact they created. Achieved better understanding, in turn, enabled them to improve their performance and their ability to serve their stakeholders. Without exception each of them discovered the process to be worth to implement. However, the same conclusion could not be made for the case enterprise Annanpura. A different type of social purpose and divergent factors would make the process inaccurate. The feedback of Annanpura's performance from all stakeholders is immediate; therefore it does not need to be proven by measuring it.

The aspects offered by the management tool of Balanced Scorecard are useful to consider also when measuring social value. As Balanced Scorecard's perspectives cover values also beyond financial value creation, the framework of it is valuable also for social enterprises if properly developed. Balanced Scorecard considers equally soft values and hard values, as it should be in social enterprises but also increasingly in traditional profit-making organizations. Nowadays companies are strongly required to be responsible and aware of environmental and social aspects – even if you weren't a social enterprise. For this reason Balanced Scorecard has got a greener aspect (Länsiluoto & Järvenpää 2010) to further emphasize environmental issues. Due to environmental issues profitability may increase and costs may decrease though nothing happens if the causality between factors is not recognized. The balance between financial and non-financial measures is crucial to find, and the framework of Balanced Scorecard with the greener perspective included would be of great benefit when balancing between these two types of measures. Unquestionably it would benefit social enterprises as much as financial driven organizations. The balance is extremely vital to find as financial success cannot be achieved without considering also the soft values and in consequence, social change cannot be made without a stable financial base.

Profit driven organizations and social purpose driven enterprises are two different types and forms of companies. However, when considering them as a whole, do they eventually differ that much from each other? Others' priority is to maximize profits while others' main focus is on resolving social failures and problems. As long as the other objective cannot be fulfilled without taking care of the other as well, both aspects should be equally measured. In the past the situation might have been the opposite: profits were pursued one way or another while social and environmental issues were not considered to be meaningful. Awareness of social aspects and their communication has increased, and today's business does not earn if not being socially responsible.

Despite the type of an enterprise, the reporting is one of the most significant parts to consider. The significance of the social impact reporting is naturally emphasized in social enterprises, but also in financial driven ones its importance should not be underestimated. When analyzing social impact reporting, the essential issues to consider are the concept of Corporate Social Responsibility and the guideline of Global Reporting Initiative. They provide valuable advices of the reporting content and the way the content should be presented.

In conclusion there is a figure presented below in which the proper measurement and reporting systems are outlined based on what has been discussed in this research. It is formulated in mind the fact what this research offered: social entrepreneurship is a business model that can be implemented in many different ways. Even though the purpose is the same, to achieve a social goal, there cannot be found a standard combination of measurement tools to chooce. The market, in which the company operates, is the most forceful factor and therefore it determines the direction.

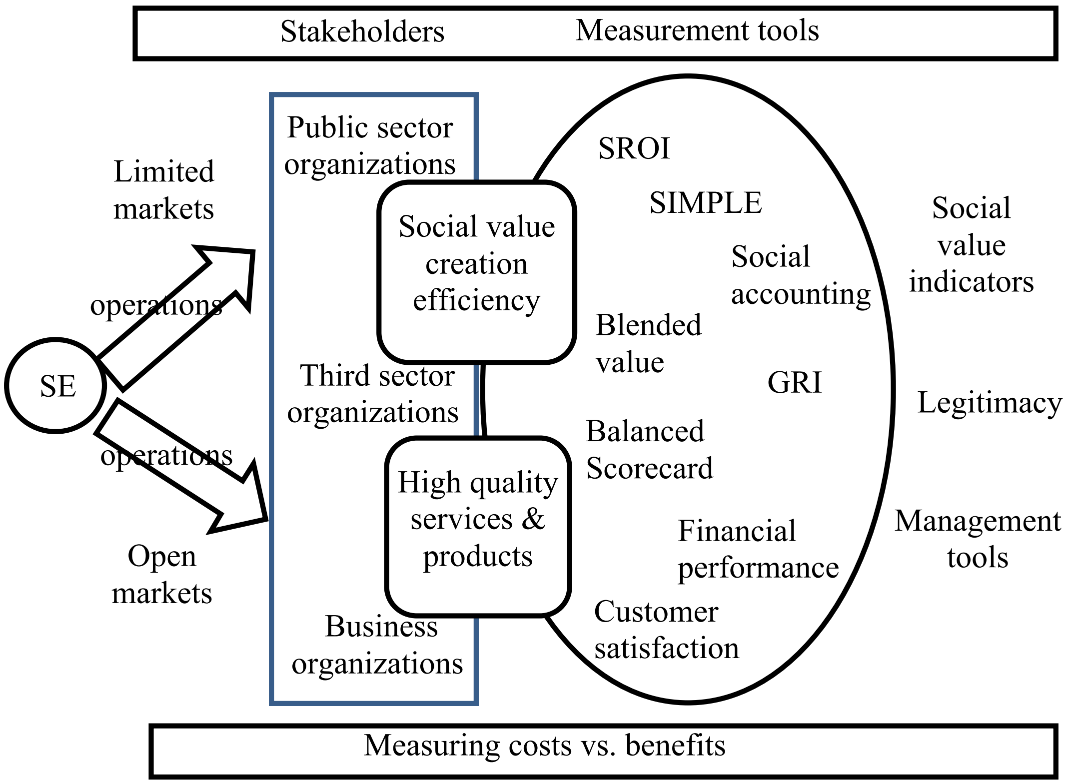

Figure 1: Guideline for the selection of measurement tools

In this research there were two types of social enterprises under discussion. The six small case studies discussed at first were more complex than the case enterprise Annanpura in relation to social value creation and its measurement. Small case studies could fit better on the line above while for Annanpura it would be more suitable to follow the line beneath. When considering which path will be taken and which type of measurement tools will be chosen, it is extremely important to be aware of the nature of one’s business and the type of its social mission. These factors have a huge impact on the choice of best possible combination of measurement tools. Annanpura's business aims at achieve the best possible customer satisfaction by providing high quality services and products to their clients. Operations are similar to those in business organizations. The success can be realized directly from the customers' reactions without having implemented any specific measurement tools for social value creation. A higher customer satisfaction ensures more employment opportunities for visually impaired. The organizations of small case studies, in turn, operate more like public sector organizations. Their feedback of success does not come from the business clients but from the social targets – those ones whose quality of life has been attempted to improve. Thus the results are not received directly but need to be measured, and as proven in this research, the SROI process gives an eligible framework to do that.

For all social enterprises the fulfillment of the social purpose is the goal but processes to achieve it may vary a lot. Others operate on a highly competitive open market by providing services to the clients produced by the social target group. Others, in turn, operate on a limited market by providing services to the social target group by volunteers, for example. In both cases the goal is to improve the quality of social target groups' lives but the path to achieve it differs from each other. This path is crucial to recognize as it determines the means to operate in the world of social entrepreneurship.

4 SUMMARY AND CONCLUSION

4.1 Discussions of the research problems

Social entrepreneurship with its various specific features is a fairly new business model, and therefore it was worth of research. The research gap to cover could especially be found in social enterprises' value creation, measurement tools and reporting practices. Therefore the research problem was set to find out more closely *what it should be reported and how it should be presented*. Supporting research problems concentrated on figuring out *the significance of existing measurement tools for social enterprises, the importance of finding the balance between financial and non-financial measures, and finally, how the various interest groups influence reporting practices of social enterprises*.

Social entrepreneurship has plenty of similarities with traditional entrepreneurship; foundation of the success is mainly based on the same things regardless of the business model. However, the navigation through the whole chain of business processes can require different kind of means in order to achieve the goal. Especially for social enterprises there can be found two particular stumbling blocks. First, the measurement of organization's social value creation is not as straightforward as it is for profit-making organizations. Creating measurement systems and tools requires specific innovativeness and desire to create something new. Second, the importance of the performance evaluation and the reporting of the results to their stakeholders cannot be overemphasized; it needs to be implemented effectively and transparently. Ineffective evaluation is a direct waste of resources and vague reporting undermines all the work that has already been done; if the results are not communicated transparently, nothing can be changed and improved. Thus, *for considering social impact reporting and its quality it is worth spending some time as it makes a huge difference if implemented properly*.

These factors naturally are emphasized in social enterprises because of their specific nature and specific way of doing business. However, the changed world and people's developed way of thinking have brought these issues on the top of every kind of enterprises' list of key success factors. Evaluating the performance effectively and reporting transparently the results coming out of it are the key activities to success. At present to this list can be attached social value creation and its efficient measurement – social aspect is no longer important only for the social enterprises but it has rapidly become a vital part in every business. This research discussed about all these issues mentioned above and presented ways and perspectives to consider them and integrate them into the organizations.

The world changes, environment changes, people change – enterprises need to change. To measure performance is no longer as straightforward as it used to be in the past. Factors to be considered exist increasingly, which means that economic growth is not the sole thing to take into account. The growing awareness of environmental and social aspects forces companies, in their operations, to consider them as well. Despite all changing factors, *the already existing measurement tools are nonetheless at least worth to consider.* Maybe the most known already existing management tool, which does not lean strictly on so called hard values, is the framework of Balanced Scorecard. With its four perspectives and its ability to consider also soft values of the business it can be valuable not just for profit-making organizations but for social enterprises as well. However, the framework's diversity brings also challenges; its relatively heavy structure requires more resources than small and medium sized enterprises can usually affort. For this reason, as social enterprises mainly are small or medium sized, the implementation of the Balanced Scorecard may go for nothing. However, regardless of many possible obstacles it can be worthwile to give an opportunity and try because of its many potential benefits. Success is always based on a good strategy and strategy can be improved by implementing the Balanced Scorecard – with appropriate changes it could be useful for social enterprises in evaluating social value creation. The framework of Balanced Scorecard forces a company to do strategic planning and to set against its current performance and its objectives, and these are vital steps when trying to separate social value creation and its measurement from economic ones.

Sustainable development can be seen as a key feature for organizations searching for long-term success. In order to be successful, organizations need to develop their activities constantly, though making only financial improvements is no longer enough. Environmental and social matters need to be included; they have a positive impact on companies' performance. Responsibility and growing awareness of the environment and society can be seen in the fact that the concept of Corporate Social Responsibility (CSR) is increasingly considered as a taken-for-granted. Organizations aim at deliver to customers and stakeholders the desired – and are even willing to significantly invest in it. The three responsibilities (social, environmental and economic) are in the core of business, and companies have increasingly internalized them all to be a part of daily activities. The success inheres behind the integration of these three components as business cannot exist without society and society cannot go forward and evolve without business.

In each concept and framework, when considering if they should be applied or not, the question of resource allocation arises. As social enterprises mostly are small or medium sized, available resources are strictly limited. Therefore it is of vital importance that the resource allocation is made successfully. Further challenges arise from the question whether the allocation should be focused on improving private goods and services or should it be more centralized on activities that have greater public benefits directly. In all cases, when implementing the concept of CSR, the most important thing above all is to manage to integrate it strategically to company's core mission. It needs to be a part of an organization's overall day-to-day management without being experienced as a burden. Despite the challenges, CSR is widely used among small and medium sized enterprises and has been proven to be worthwhile. As it already includes the main points in core business for social entrepreneurship, it would definitely bring benefits to them if integrated successfully into the organizations.

Corporate Social Responsibility has unquestionably an impact on organizations' success. Other great concept for improving the transparency of social and environmental value creation is the Global Reporting Initiative (GRI). Even the most successful measurement systems and tools of social value creation are useless if the results are not reported properly. Thus, nothing is more important than to make the reporting clear and transparent, and to direct it to the right interest groups. As the guideline of GRI provides a sustainability reporting framework for companies, it is important to integrate it into social enterprises.

Social enterprises are as much competing enterprises as are traditional profit-making organizations. The rules and regulations are the same as the business field is the same. Therefore, if the intention is to survive in the markets it could not be more vital to verify that the social purpose is not a drag on the business model. If it is not fully integrated into a clear business proposition, the competition among all other enterprises may turn out to be overly rough. The market niche for only social enterprises is so narrow that in all cases operations need to be focused also into the highly competitive markets. Therefore the pure economic side of an enterprise can never be ignored and the importance of finding the balance between financial and non-financial measures is emphasized. Social purpose cannot be achieved without a proper financial base. Both social and economic i.e. qualitative and quantitative aspects are significant and together they create a combination that serves organizations in a best possible manner.

There are numerous ways and measurement systems for profit-making organizations to use when evaluating their performance. When considering measuring and reporting for social issues the range of means gets a lot more restricted. Also the research among this topic remains relatively low. There are various reasons and certain factors that explain the lack of specific and clear measurement and reporting practices for social issues, and especially three stumbling blocks arise: it is not known what should be measured and reported, how it should be done and finally, the whole thread of the process is missing. The social entrepreneurship has to face issues and overcome problems that do not concern the entrepreneurship driven just by the profits, and needless to say, measuring is challenging without proper means and sufficient awareness of the process. Extra challenges arise also from a wider range of requirements that concerns social enterprises without causing any issues for traditional ones. *Social enterprises multifold interest groups set more demands for social organizations to* *cover.* Thus, reported information needs to include something for everyone and cannot be as simple as it may be for profit-making organizations.

The pursued social purpose itself may be straightforward but measuring the impact coming out of it is much more complex. Despite the relatively limited research around this topic, the problem of measuring social value creation has already been tried to cover with various tools, and among them, Social Return on Investment (SROI) has received most attention. In a very complex environment it has turned out to be the most worthwhile to apply and develop further, thus it has been the most widely discussed and researched. The advantage of SROI model is that it reveals three type of returns. In addition to economic return it reveals also social return that produces intangible effects such the enhancement of knowledge. The third and the most important return is socio-economic return that serves both social and economic needs. It offers indicators to measure blended value creation – just as it is needed in social enterprises. Without question, the SROI model is incomplete and brings challenges with it but still, it offers a worthy tool to make social value creation more transparent and it makes social enterprise's performance evaluation more efficient. All-inclusive information is tricky to obtain from any model, but SROI method provides both qualitative and quantitative information, and that already is a huge step towards better performance evaluation.

The framework of SROI has been created to recognize better the impact of social value creation. The analysis is based on seven principles and is built on six stages which are the guidelines how the analysis is applied and implemented effectively. The SROI process was the keystone for the made research among the case enterprises of this study. Small case studies from various third sector organizations revealed that the SROI process really was of a great benefit and worth to integrate into the organization. The case enterprises experienced that the most important benefit gained was the wider understanding of the impact they create – and this is exactly the deficiency which exists in all kinds of traditional financial measures. They ignore the social impact as it is not seen to be important to recognize, but the SROI process gives a possibility to cover this gap which is vital to social enterprises. In addition to the wider understanding of the created social value, the process enhanced also financial matters; with the obtained knowledge and the better awareness of organization's processes they could carry out them more efficiently and this way support the whole profitability of the organization. Therefore, the process had a positive reflection in both economic and social matters.

The SROI process includes thus a lot of advantages that traditional financial measures do not have. Though, challenges exist also in this model. In general, the biggest problem to overcome for small and medium sized enterprises is the resource and time allocation or rather the lack of both of them. Measurement systems are always a financial burden, especially for small and medium sized enterprises. However, the small case studies proved that the benefits exceeded the costs thus the SROI process was worth it.

However, the extensive use of any kind of measurement systems in small businesses is not very evident. In large companies the use of all kind of tools and systems is more a rule than an exception; usually they are strongly integrated into the companies' activities. Effective management is critical to companies' success, and naturally, it is easier to carry it through if there are measurement systems that produce the supportive information. In this regard, small businesses are in a certain way with fewer opportunities. A lower amount of resources does not enable for an extensive system maintenance and this, in turn, makes the management more challenging as there are no produced information to support the decision making.

More closely this research concentrated on the case enterprise Annanpura, which is a social enterprise that provides employment opportunities for visually impaired. By interviewing the company's managing director, information from the organization's perceptions towards social impact measurement systems was gathered. The results of the interview, in most aspects, confirmed the theoretical basis of the small and medium sized enterprises very well. As being a small social enterprise Annanpura did not see much point in applying any kind of measurement system; it would be kind of a waste of already limited resources. For small enterprises the social purpose may be so transparent and concrete also without having it measured that any kind of tools would not bring any additional value.

For social enterprises the most important matter to succeed in is integrating the social purpose into their organizations. Naturally this is done with less effort in small enterprises than in large ones. Additionally, the fully integration of social purpose is emphasized in large enterprises as there exist various organizational levels where the systematic flow of information must be ensured with functional management and measurement systems. Various interest groups need information and confirmation that operations are functioning effectively. However, in the case of Annanpura the measurement systems for social value creation are not needed in order to be able to communicate effectively. There are just a few interest groups, and even the most important one, the owner of Annanpura, does not require any formal measurement systems as they in all cases communicate constantly with each other. Any special measurement tools are not needed for illustrating organization's success as the owners do not take any dividends but the profits are used to develop the company, which means creating new service areas and more importantly, providing employment to a higher number of visually impaired. Therefore, the most important measurement tool is simply the calculation of the number of employees. Also the customer feedback is obtained directly from the situation where the service is provided and the reporting to the owners is not necessary to pass through any measurement tools as the intercourse between the company and the owner is continuous in all cases. Without a doubt, there might be something new if social value creation was measured in Annanpura. However, things need to be measured only if there is an already existing need – if not, there is no point. As a future research topic it would be interesting to find out if the benefit gained from implementing a measurement system would outweigh the costs. Or would it be just a waste of resources as assumed based on the interview of the case enterprise.

Social entrepreneurship is a business model where creativity and new ideas are combined with keystones of traditional entrepreneurship in order to make a social change – *the balance between financial and non-financial issues is important to recognize.* The purpose of doing business does not aim at making profits only but also affecting on social failures in the society. The effort is put on straighten these failures with the assets gained from the business. Thus, for social entrepreneurs there remain two objectives to fulfill instead of one; in order to keep the business running, the concept of Blended Value needs to be internalized. In order to do that effectively, the core issue to recognize is that the best success is achieved by considering economic and social value as a consistent aspect in the organization's value proposition. It is extremely important to keep the balance between the values in order to be able to fulfill the social purpose. Invest in another at the expense of another does not serve the objectives of social entrepreneurship. If the balance falters there is a risk that tensions arise inside the organization. Also the clear understanding of the transformative nature of an investment needs to exist. The highest possible results in both social and economic value creation are obtained only if understood that social and economic components need to be integrated and treated as equals. Those organizations capable of understanding this fact will be the ones at the top of competition.

4.2 Evaluation of the reliability

The results of this research can be considered reliable for the reason that they followed the guidelines adopted by the theory. Thus, it is justified to interpret that the gathered data and the conclusions made out of it are valid and accurate. The extensive theoretical base was built in purpose to support the outcoming results the best possible way. The concept of social entrepreneurship is relatively new which means that also the field of previous research focuses on the recent years. However, to a lesser extent the perceptions were searched also further away from the past in order to get more extensive base for the research topic's definitions. The theory of the social entrepreneurship and related issues were described widely in order to be able to compare the research results' applicability to the theoretical base. In addition, the reliability of the results grows also due to the fact that two different types of social enterprises were examined. The differences in the ways to run the business and fulfill their social purposes led to different kind of combinations of measurement tools and systems that were needed – if needed at all. Before compiling the framework of measurement tools it is vital to estimate the need of measurement.

The data of the case enterprise Annanpura was gathered by an interview. The method can be considered as reliable as the interview was carried out as a theme interview where the discussion could proceed without restrictions and unnecessary guiding. Interviewee had a possibility to comment also external subjects of the theme or the issues which he experienced to be important. The interview was recorded, and afterwards documented on the basis of the recording. The discussion was straightforward and therefore there was no room for interpretation. In this research the data gathered by the interview was presented to a large extent as the interviewee's direct quotations. Therefore the most truthful impression could be passed on to the readers – leaving also room for interpretations of their own.

Interviewer's possible subjectivity could not affect the course of the interview. Extensive pre-study of the subject ensured that the discussion around the themes could proceed on it's own time which ensured that all the important issues could have been brought up. The extensive knowledge of the theoretical base also enabled the presentation of further questions if needed. The possible limitations on the reliability of the study are caused by the fact that within the framework of this research it was not possible to take a larger sample of case enterprises. If the extent of this study would have allowed to research more companies, it could have brought more perceptions and thoughts about the topic.

4.3 Suggestions for the future research

Social entrepreneurship and the measurement of its value creation are quite recent concepts thus the research around the topic remains limited. Therefore there would be a plenty of future research opportunities, and the need of research increases in pursuance of the increase of social entrepreneurship's popularity. To some extent the measurement of social value creation is based on subjective impressions and assessments. One interesting object of research would therefore be to examine the influence of ones' subjective aspects on the measurement results. Naturally it would be valuable to extend also the understanding of measurement tools' functionality and suitability – more deeply than it was possible within the framework of this research.

As mentioned in this research, there are different types of social enterprises. The different ways to operate and the different kind of social purposes indicate that also the measurement tools and systems need to vary depending on the case and the company. Comparative research among these would surely bring a lot of new information and a wider understanding of measurement tools' suitability in each case. The research would be particularly beneficial for small enterprises as they cannot afford to waste any resources to worthless measurement systems. However, in terms of proper resource allocation, the suitability of a measurement tool is not the only thing to consider but also the effectiveness of performance evaluation is vital to be researched. A measurement tool can be suitable, but if not implemented properly it is useless, or in the worst case, it is a financial burden that influences the activities of the entire organization.

As a future research topic it would also be interesting to get more information about the impact that the behavior and participation of a company's management have on the development and implementation of a measurement system. Deeper analysis of the differences in success depending on the degree of management's participation would even better reflect its importance. It is nonetheless clear that nothing can be carried through successfully without the active involvement of the management and the encouraging corporate culture.

REFERENCES

Aktas, R., Kayalidere, K. & Kargin, M. 2013. Corporate Sustainability Reporting and Analysis of Sustainability Reports in Turkey. International Journal of Economics and Finance, 5, 3, 113-125.

Alasuutari, P. 2011. Laadullinen tutkimus 2.0. Tampere, Vastapaino.

Annanpura. 2014. Annanpura [www-document]. [Cited 12.10.2014]. Available www.annanpura.fi

Assiri, A., Mohammed, Z. & Riyad, E. 2006. How to profit from the balanced scorecard – An implementation roadmap. Industrial Management & Data Systems, 106, 7, 937-952.

Atkinson, H. 2006. Strategy implementation: a role for the balanced scorecard? Management Decision, 44, 10, 1441-1460.

Austin, J. E. & Leonard, H. B. 2008. Can the virtuous mouse and the wealthy elephant live happily ever after? California Management Review, 51, 1, 77-101.

Barraket, J. & Yousefpour, N. 2013. Evaluation and Social Impact Measurement Amongst Small to Medium Social Enterprises: Process, Purpose and Value. Australian Journal of Public Administration, 72, 4, 447-458.

Battisti, M. & Perry, M. 2011. Walking the Talk? Environmental Responsibility from the Perspective of Small-Business Owners. Corporate Social Responsibility and Environmental Management, 18, 3, 172-185.

Bennett, R. J. & Robson, P. J. A. 1999. The use of external business advice by SMEs in Britain. Entrepreneurship & Regional Development, 11, 2, 155-180.

Bondy, K., Moon, J. & Matten, D. 2012. An Institution of Corporate Social Responsibility (CSR) in Multi-National Corporations (MNCs): Form and Implications. Journal of Business Ethics, 111, 2, 281-299.

Byrne & Brennan. 2009. A guide to Social Return on Investment. Gabinet Office, Office of the Third Sector. Society Media.

Carroll, A. B. 1979. A Three-Dimensional Conceptual Model of Corporate Performance. Academy of Management Review, 4, 4, 497-505.

Collis, J. & Jarvis, R. 2002. Financial information and the management of small private companies. Journal of Small Business and Enterprise Development, 9, 2, 100-110.

Cramer, J. 2005. Experiences with structuring corporate social responsibility in Dutch industry. Journal of Cleaner Production, 13, 6, 583-592.

Dacin, P. A., Dacin, M. T. & Matear, M. 2010. Social Entrepreneurship: Why We Don’t Need a New Theory and How We Move Forward From Here. Academy of Management Perspectives, 24, 3, 37-57.

Dart, R. 2004. The Legitimacy of Social Enterprise. Nonprofit Management & Leadership, 14, 4, 411-424.

Davis, K. 1973. The Case for and Against Business Assumption of Social Responsibilities. Academy of Management Journal, 16, 2, 312-322.

Drayton, W. 2002. The Citizen Sector: Becoming as Entrepreneurial and Competitive as Business. California Management Review, 44, 3, 120-132.

Emerson, J. 2003. The Blended Value Proposition: Integrating Social and Financial Returns. California Management Review, 45, 4, 35-51.

Fortune. 2013a. Fortune Magazine [www-document]. [Cited 4.6.2013]. Available http://money.cnn.com/magazines/fortune/fortune_archive/1997/02/17/222180/index.htm

Fortune. 2013b. Fortune magazine [www-document]. [Cited 5.6.2013]. Available http://money.cnn.com/magazines/fortune/fortune_archive/1999/06/21/261696/index.htm

Frederick, W. C. 1960. The Growing Concern Over Business Responsibility. California Management Review, Summer, 54-61.

Garengo, P., Biazzo, S. & Bititci, U. S. 2005. Performance measurement systems in SMEs: A review for a research agenda. International Journal of Management Reviews, 7, 1, 25-47.

Global Reporting Initiative. 2013. Global Reporting Initiative [www-document]. [Cited 15.6.2013]. Available https://www.globalreporting.org/Pages/default.aspx

Gonin, M., Besharov, M., Smith, W. & Gachet, N. 2012. Managing social-business tensions: A review and research agenda for social enterprise. Presented at the NYU Stern Conference on Social Entrepreneurship.

G4 Sustainability Reporting Guidelines. 2013. Global Reporting Initiative [www-document]. [Cited 15.6.2013]. Available https://www.globalreporting.org/reporting/g4/Pages/default.aspx

Haigh, N. & Hoffman, A. J. 2012. Hybrid organizations: The next chapter of sustainable business. Organizational Dynamics, 41, 2, 126-134.

Hirsjärvi, S., Remes, P. & Sajavaara, P. 2005. Tutki ja kirjoita. Helsinki, Tammi.

Hudson, M., Smart, A. & Bourne, M. 2001. Theory and practice in SME performance measurement systems. International Journal of Operations & Production Management, 21, 8, 1096-1115.

Husted, B. W. 2003. Governance Choices for Corporate Social Responsibility: to Contribute, Collaborate or Internalize? Long Range Planning, 36, 5, 481-498.

Hys, K. & Hawrysz, L. 2012. Corporate Social Responsibility Reporting. China-USA Business Review, 11, 11, 1515-1524.

Inyang, B. J. 2013. Defining the Role Engagement of Small and Medium-Sized Enterprises (SMEs) in Corporate Social Responsibility (CSR). International Business Research, 6, 5, 123-132.

Jenkins, H. 2006. Small Business Champions for Corporate Social Responsibility. Journal of Business Ethics, 67, 3, 241-256.

Joyner, B. E. & Payne, D. 2002. Evolution and Implementation: A Study of Values, Business Ethics and Corporate Social Responsibility. Journal of Business Ethics, 41, 4, 297-311.

Kaplan, R. S. & Norton, D. P. 1996a. The Balanced Scorecard: translating strategy into action. Boston Massachusetts, Harvard Business School Press.

Kaplan, R. S. & Norton, D. P. 1996b. Using the Balanced Scorecard as a Strategic Management System. Harvard Business Review, January-February, 75-85.

Kaplan, R. S. & Norton, D. P. 2002. Strategialähtöinen organisaation – tehokkaan strategiaprosessin toteutus. Helsinki, Talentum Media.

Kasurinen, T. 2002. Exploring management accounting change: The case of balanced scorecard implementation. Management Accounting Research, 13, 3, 323-343.

Kechiche, A. & Soparnot, R. 2012. CSR within SMEs: Literature Review. International Business Research, 5, 7, 97-104.

Keim, G. D. 1978. Corporate Social Responsibility: An Assessment of the Enlightened Self-Interest Model. Academy of Management Review, 3, 1, 32-39.

Kendall, J. & Knapp, M. 2000. Measuring the Performance of Voluntary Organizations. Public Management: an international journal of research and theory, 2, 1, 105-132.

Kickul, J., Janssen-Selvadurai, C. & Griffiths, M. D. 2012. A Blended Value Framework for Educating the Next Cadre of Social Entrepreneurs. Academy of Management Learning & Education, 11, 3, 479-493.

Krlev, G., Münscher, R. & Mülbert, K. 2013. Social Return on Investment (SROI): State-of-the-Art and Perspectives, A Meta-Analysis of practice in Social Return on Investment (SROI) studies published 2002-2012. Centre for Social Investment (CSI) of Heidelberg University, Germany.

Lawrence, T., Phillips, N. & Tracey, P. 2012. From the Guest Editors: Educating Social Entrepreneurs and Social Innovators. Academy of Management Learning & Education, 11, 3, 319-323.

Lingane, A. & Olsen, S. 2004. Guidelines for Social Return on Investment. California Management Review, 46, 3, 116-135.

Luke, B., Barraket, J. & Eversole, R. 2013. Measurement as legitimacy versus legitimacy of measures, Performance evaluation of social enterprise. Qualitative Research in Accounting & Management, 10, 3/4, 234-258.

Länsiluoto, A. & Järvenpää, M. 2010. Greening the balanced scorecard. Business Horizons, 53, 4, 385-395.

Mair, J. & Marti, I. 2006. Social entrepreneurship research: A source of explanation, prediction, and delight. Journal of World Business, 41, 1, 36-44.

McAdam, R. 2000. Quality models in an SME context – A critical perspective using a grounded approach. International Journal of Quality & Reliability Management, 17, 3, 305-323.

McGrath, R. G. 1999. Falling Forward: Real Options Reasoning and Entrepreneurial Failure. Academy of Management Review, 24, 1, 13-30.

McWilliams, A. & Siegel, D. 2001. Corporate Social Responsibility: A Theory of the Firm Perspective. Academy of Management Review, 26, 1, 117-127.

Mooraj, S., Oyon, D. & Hostettler, D. 1999. The Balanced Scorecard: a Necessary Good or an Unnecessary Evil? European Management Journal, 17, 5, 481-491.

Moss, T. W., Short, J. C., Payne, G. T. & Lumpkin, G. T. 2011. Dual Identities in Social Ventures: An Exploratory Study. Entrepreneurship: Theory and Practice, 35, 4, 805-830.

Murillo, D. & Lozano, J. M. 2006. SMEs and CSR: An Approach to CSR in their Own Words. Journal of Business Ethics, 67, 3, 227-240.

Nicholls, A. 2009. We do good things, don't we?: Blended Value Accounting in social entrepreneurship. Accounting, Organizations and Society, 34, 6, 755-769.

Page, M. J. 1984. Corporate Financial Reporting and the Small Independent Company. Accounting and Business Research, 14, 55, 271-282.

Porter, M. E. & Kramer, M. R. 2011. Creating Shared Value. Harvard Business Review, January-February, 62-77.

Ricks, J. M. 2005. An assessment of strategic corporate philanthropy on perceptions of brand equity variables. Journal of Consumer Marketing, 22, 3, 121-134.

Roca, L. C. & Searcy, C. 2012. An analysis of indicators disclosed in corporate sustainability reports. Journal of Cleaner Production, 20, 1, 103-118.

Rompho, N. 2011. Why the Balanced Scorecard Fails in SMEs: A Case Study. International Journal of Business and Management, 6, 11, 39-46.

Rotheroe, N. & Richards, A. 2007. Social Return on Investment and social enterprise: Transparent accountability for sustainable development. Social Enterprise Journal, 3, 1, 31-48.

Santos, M. 2011. CSR in SMEs: strategies, practices, motivations and obstacles. Social Responsibility Journal, 7, 3, 490-508.

Sethi, S. P. 1975. Dimensions of Corporate Social Performance: An Analytical Framework. California Management Review, 17, 3, 58-64.

Smith, W. K. & Lewis, M. W. 2011. Toward a Theory of Paradox: A Dynamic Equilibrium Model of Organizing. Academy of Management Review, 36, 2, 381-403.

Stanworth, M. J. K. & Curran, J. 1976. Growth and the Small Firm – An Alternative View. The Journal of Management Studies, 13, 2, 95-110.

Suchman, M. C. 1995. Managing Legitimacy: Strategic and Institutional Approaches. Academy of Management Review, 20, 3, 571-610.

Syrjä, P., Puumalainen, K., Sjögrén, H., Soininen, J. & Durst, S. 2013. Entrepreneurial orientation in social entrepreneurship. The ISPIM Conference –

Innovating in Global Markets: Ghallenges for Sustainable Growth in Helsinki, Finland on 16-19 June 2013.

The SROI Network. 2014a. SROI Case Study [www-document]. [Cited 15.8.2014]. Available http://www.thesroinetwork.org/images/FRC_Group_SROI_Case_Study_Nov_2011_pdf2.pdf

The SROI Network. 2014b. SROI Case Study [www-document]. [Cited 15.8.2014]. Available http://www.thesroinetwork.org/images/Create_SROI_Case_Study_pdf.pdf

The SROI Network. 2014c. SROI Case Study [www-document]. [Cited 15.8.2014]. Available http://www.thesroinetwork.org/images/CAN_Mezzanine_SROI_Case_Study_pdf1.pdf

The SROI Network. 2014d. SROI Case Study [www-document]. [Cited 15.8.2014]. Available http://www.thesroinetwork.org/images/Hoxton_Trust_SROI_Case_study_pdf.pdf

The SROI Network. 2014e. SROI Case Study [www-document]. [Cited 15.8.2014]. Available http://www.thesroinetwork.org/images/Workwise_SROI_Case_Study_pdf.pdf

The SROI Network. 2014f. SROI Case Study [www-document]. [Cited 15.8.2014]. Available http://www.thesroinetwork.org/images/Youth_Net_SROI_Case_Study_pdf1.pdf

Tracey, P. & Phillips, N. 2007. The Distinctive Challenge of Educating Social Entrepreneurs: A Postscript and Rejoinder to the Special Issue on Entrepreneurship Education. Academy of Management Learning & Education, 6, 2, 264-271.

Volkmann, C. K., Tokarski, K. O. & Ernst, K. (Eds.). 2012. Social Entrepreneurship and Social Business, an Introduction and Discussion with Case Studies. Springer Gabler; Gabler Verlag; Springer Fachmedien Wiesbaden.

Wood, D. J. 1991. Corporate Social Performance Revisited. Academy of Management Review, 16, 4, 691-718.

World Business Council for Sustainable Development. 2013. Corporate Social Responsibility [www-document]. [Cited 20.6.2013]. Available http://www.wbcsd.org/pages/edocument/edocumentdetails.aspx?id=82&nosearchcontextkey=true

Zahra, S. A., Gedajlovic, E., Neubaum, D. O. & Shulman, J. M. 2009. A typology of social entrepreneurs: Motives, search process and ethical challenges. Journal of Business Venturing, 24, 5, 519-532.

Interview: Managing director of Annanpura, Ari-Pekka Saarela, 5.11.2014, Helsinki

APPENDIX 1

Interview's themes

- Measurement of social value creation in the case enterprise Annanpura
- The most significant stakeholders and their roles
- Society's role
- The SROI process: could it be applied in the organization of Annanpura
- Reporting to stakeholders
- Prospects for the measurement and reporting of social value creation