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In pursuit of social impact – towards a 'joint-stewardship' approach to financier relationships in social entrepreneurship and social enterprise

ABSTRACT

This paper draws on current theory and practice in social impact assessment, focusing on social entrepreneurship and social enterprise. Through examination of current thinking in the field it suggests a theoretical and practical framework for harnessing and driving (positive) impact-focused financier relationships.

Grant funders, social investors and contracting bodies that have a specific focus on supporting the work of social entrepreneurs and social enterprises are included under the banner of 'financiers'. Early in the field's development policy and funding goals were primarily concerned with propagating larger numbers, greater variety and more geographic spread in activity. This focus is no longer enough as financing stakeholders become increasingly interested in an 'impact agenda'. New ways of determining and communicating value and impact are needed.

Given the complex and multi-faceted nature of social impact it is important to promote goal-congruence between financiers and the social entrepreneurs and social enterprises they support. This involves approaching value generation and social impact assessment from an equitable foundation, promoting the unique contributions and core commitments of all involved, and genuinely taking mutual responsibility for progress towards agreed outcomes.

This paper draws on management literature to propose the application of an extension of stewardship theory to social entrepreneurship and social enterprise research and practice. Stewardship theory stresses the importance of trust and relational reciprocity between principals and agents, and this foundation is developed further into an approach conceptualised as 'joint-stewardship'. It is proposed that the notion of 'joint-stewardship' has potential to replace the hierarchical arrangements evident in traditional principal-steward relations by providing both a conceptual and a practical basis for addressing the inherent power imbalance commonly found in financing relationships.

The paper presents for consideration an initial typology that could characterise 'joint-stewardship' financier-social entrepreneur/social enterprise relationships. Elements of the suggested typology include: investment mind-set; peer-to-peer relationships; collaborative method development; risk and time tolerance; network-for-impact orientation; and commitment to the commons. Discussion of entities demonstrating early evidence of these approaches is drawn on. Through this, it is suggested that introducing a unique terminology could assist to connect current practice, drive new developments in the field, and also help to differentiate impact-driven financier

relationships from more traditional funding arrangements. The paper is intended as a discussion piece.

SOCIAL ENTREPRENEURSHIP & SOCIAL ENTERPRISE

Whilst the practice of social entrepreneurship and social enterprise is not new the terminology has come to the fore over the past fifteen years. Since the terms first began to appear in text and practice proponents and practitioners have discussed and debated definitions, forms of practice and other technical considerations in the field[1]. Definitions remain diverse and contested.

Following Nicholls, social entrepreneurship is defined here as "any innovative action that individuals, organisations, or networks conduct to enhance or reconfigure existing institutional arrangements to address the inadequate provision, or unequal distribution, of social and environmental goods" (2009, p755). Social enterprise is identified as a sub-set of activity within this (Nicholls, 2005, p5) and includes organisations that trade for a specific social, environmental or cultural purpose. It is generally agreed that "[t]he primary purpose . . . is social: it aims to benefit the community or a specific beneficiary group. Commercial activity is secondary in the sense that it is the means to achieving the primary purpose" (Pearce, 2003, p33).

The diversity of the field – including the cross-sector, hybrid nature - is evident both in the outcomes and impacts those working in the field seek, and in the resources and approaches they use. As Evers suggests ". . . the term 'social enterprise' seems to blur those frontiers which have been deliberately constructed – between action for the public good and private action, between social action as non-profit and enterprises as private market organization" (2004, p296).

Social entrepreneurship and social enterprise are attracting increasing interest from policy makers and financiers, and is increasingly heralded as offering a creative and post-sectoral approach to tackling entrenched social and environmental issues.

INFLUENCING TRENDS

In the early stages of the development of the social entrepreneurship and social enterprise field policy and funding goals were largely concerned with propagating larger numbers, greater variety and more geographic spread in activity. It is now no longer enough to "assume that a social enterprise is doing good work simply because it is a social enterprise" (Pearce, 2003, p43) and there are increasing calls to move beyond the original propagation goal and to "shift [the focus] to what social

[1] See Leadbeater's *The Rise of the Social Entrepreneur* published in 1997, Emerson & Twersky's 1996 *New Social Entrepreneurs*, Dees' 1998 article on *'Enterprising Nonprofits'* for early discussions; and also the 1993 launch of Harvard Business School's 'Social Enterprise Initiative' and the 1996 establishment of the EMES European Research Network.

enterprises can achieve, together and with other players, measuring their impact more accurately" (Leadbeater, 2007, p7).

The growing interest of financiers in social impact assessment has been a key driver for developments in the field. Working at the intersection of sectors, and drawing resources from all, social entrepreneurs and social enterprises are strongly influenced by trends and developments in the public, philanthropy and social investment, and commercial sectors. Each of these sectors is grappling with developing appropriate and meaningful approaches to social impact assessment, with 'work in progress' the clear message.

The centrality of social impact to the work of social entrepreneurs and social enterprises is a uniting factor in discussions on the way forward. "[F]or social entrepreneurs, the point is not to be more business-like or more nonprofit-like. It is to be more *effective* at changing the world, using whatever organizational forms or management methods are most conducive to that" (Battle Anderson & Dees, 2008, p156). There is an increasingly urgent need to substantiate wide-spread claims about the potential of the model.

This issue of legitimacy is of particular pertinence to financiers, as they make decisions about where and how to allocate their budgets. "Whether it is social enterprises delivering public services, private sector organisations partnering with government, or social entrepreneurs challenging the conventional separation between social and economic value creation, new organisational forms are competing for resources and legitimacy" (Nicholls, 2005, p1). Barraket reinforces the need for a focus on social impact assessment, particularly to differentiate from alternative and often competing resource recipients, suggesting that ". . . rather than presuming that . . . social enterprise is an effective vehicle for social transformation, we need to be able to demonstrate [they] produce better outcomes. . ." (2009, p9).

Dart (2004) provides a considered discussion on the topic of legitimacy and social enterprise and highlights trust as critical in relationships with key stakeholders, proposing that this is dependent on demonstrating value: "If social enterprise can be explained in terms of the tangible outcomes of value it provides for key stakeholder groups . . . then support for social enterprise should be correlated significantly with the value . . . for the stakeholder group" (p422).

Social impact is the source of this legitimacy, rather than any particular attribute of the organisation itself. Indeed Battle Anderson & Dees propose that, going forward, ". . . we may need to accept more of a process of creative destruction, which requires emphasizing social performance rather than organizational sustainability" (2008, p150). In the current financial climate, demonstrating legitimacy will increasingly require accountability to social impact goals, and this could well become the predictor of sustainability as competition for financing sources (across the spectrum) increases.

To demonstrate value creation and hence social impact a more sophisticated understanding of social impact assessment concepts and approaches is needed amongst both practitioners and financiers. However, Achleitner et al note that ". . .

there is no common reporting standard instructing social entrepreneurs how to measure and report their performance, risks and organizational capacity . . ." (2009, p2). Young clearly sums up the complex landscape facing those interested in tackling social impact assessment: "The world is currently replete with methods for analyzing value. They range from contingent valuation methods and hedonic pricing in economics to whole life cost methodologies and ecological footprints; from balanced scorecards, triple bottom lines, and social audits in business to benchmarking, cost benefit analysis, and customer satisfaction surveys in the public sector, not excluding a wide variety of human development and quality of life indices" (2008, p57). Working at the intersection of sectors social entrepreneurs and social enterprises are confronted by this bewildering array of techniques and methods.

A specific linking of the term 'social impact assessment' to the field of social enterprise is provided in a literature review undertaken by Armstrong (2006, p10-11) and this specific use begins to act on Emerson's articulation of the need for new and unambiguous language to facilitate the creation of meaning amongst diverse actors in this space. "The challenge of the future is that of building a new framework for a lexicon of valuation. A framework that helps us see the Whole; A lexicon that may create the narrative numeracy necessary to communicate the full and complete breadth of our social reality in an integrated manner . . ." (Emerson, 2003, p42-43). 'Social impact assessment' is proposed as useful language for differentiating approaches that seek to demonstrate positive social impact and value creation from monitoring and output related evaluation activities.

The development of this lexicon is grappling, on both a practical and theoretical plane, with some key conceptual issues that are fundamental to demonstrating social impact. Critical conceptual issues include:

- plurality – multiple stakeholders, multiple interpretations of value creation, as well as tensions between types of value (eg. social and environmental)
- materiality – how to decide what matters in reporting
- causality and attribution – demonstrating clear links between specific activities and specific outcomes
- comparability – between approaches and models, between entities working to achieve similar impact goals, and between impact goals
- monetization – using dollar proxies to demonstrate value

Work on each of these conceptual issues is detailed and ongoing. An iterative approach to practice and research will be critical to developing robust but practical methodologies, and to ensuring appropriate directions are pursued as "it is premature to declare that one 'right' method for measuring and/or estimating social value creation should be promoted" (Tuan, 2008, p14). Michaelson et al note that ". . . measurements themselves begin to shape our conceptual understanding of the issue at hand" (2009, p12) highlighting the broader implications of choosing one approach over another. In a field concerned with value creation and social impact it is also clear that ". . . one metric or another can only function well when it is in service of a higher vision . . ." (Young, 2006, p64-65). As discussed throughout, in the social entrepreneurship and social enterprise field this 'higher vision' is the pursuit of social impact.

HARNESSING & DRIVING SOCIAL IMPACT ASSESSMENT-FOCUSED FINANCIER RELATIONSHIPS IN SOCIAL ENTREPRENEURSHIP & SOCIAL ENTERPRISE

The previous section provides a background to social impact assessment in the social entrepreneurship and social enterprise field. This section proposes a conceptual basis for connecting social entrepreneurship and social enterprise practice and theory that involves financier relationships that have a core focus on (positive) social impact and value creation. It is suggested that activity in this area could be harnessed and driven through adoption of 'joint-stewardship' as a conceptual base for relationships.

In this context grant funders, social investors and contracting bodies that have a specific focus on supporting the work of social entrepreneurs and social enterprises are included under the banner of 'financiers'. This approach is supported by Ellis & Gregory (2008, p5) who note that 'investment' is becoming the accepted language for financing in the social economy and cite Unwin (2004) in distinguishing. . . "between three main types of funder: giver; supplier; and investor". The work of authors applying stewardship theory across this financing spectrum is drawn on in the development of the conceptual framework presented, reflecting the hybrid nature of this field - including its financing sources.

STEWARDSHIP THEORY, SOCIAL ENTREPRENEURSHIP & SOCIAL ENTERPRISE

In presenting a conceptual framework for positioning the relationship between investors/funders and social entrepreneurs and social enterprise leaders Achleitner et al suggest that ". . . there is an interest alignment to maximize social impact between social entrepreneurs and their financiers" (2009, p4). This interest alignment is a critical factor in presenting stewardship theory as a useful framework for approaching social impact assessment in this field as it essentially ". . . postulates congruence of goals between actors. . ." (Achleitner et al, 2009, p4), ". . . assum[ing] convergence because of shared collective interests. . ." (Van Slyke, 2007, p159).

Stewardship theory is discussed in comparison and as an alternative to agency theory (see Van Slyke, 2007; Arthurs & Busenitz, 2003; Mason et al, 2007) with the two frameworks exhibiting significant differences in their underlying assumptions about operating paradigms. Arthurs & Busenitz provide a useful summary of the two concepts:

> "With its roots in sociology and psychology, stewardship theory characterizes human beings as having higher-order needs for self-esteem, self-actualization, growth, achievement and affiliation. This is in contrast to agency theory's characterization of

> human beings as opportunistic, inherently untrustworthy, and focused on a narrow pursuit of financial gains. . . stewardship theory is centrally concerned with identifying situations in which the interests of the principal and the steward are aligned" (2003, p154).

In any stewardship relationship the development of trust between the parties involved is required. "The assumptions of stewardship theory are that long-term contractual relations are developed based on trust, reputation, collective goals, and involvement where alignment is an outcome that results from relational reciprocity" (Van Slyke, 2007, p164). Achleitner et al acknowledge that this is not usually the starting position for financier relationships and suggest that ". . . the relationship between an investor (the principal) and the social entrepreneur (the agent/steward) evolves over time from an agency . . . to a stewardship relationship . . ." (2009, p4).

Looking at the internal climate in social enterprises, Mason et al's discussion (2007, p290) on the application of stewardship theory contrasts this with the stakeholder governance models that are more often the norm in the non-profit sector. They suggest that as social enterprises evolve to a narrower business focus (drawing on Dart, 2004) social enterprise boards are reshaping to take on broader skill sets and a stewardship approach, moving away from a focus on representation of constituent groups. Mason et al also include discussion of the relevance of stewardship theory at the management level of governance suggesting that ". . . stewardship theory aligns with the ethos of social enterprise and the psychological and social profile of its managers. . ." (Mason et al, 2007, p290), indicating that a 'culture of stewardship' is a 'good fit' for social enterprises.

Social entrepreneurs and social enterprises are often working in areas where agreed measures have not yet been developed and a focus on impact may also require innovation, indicating that strategy and/or delivery are unlikely to take a 'business as usual' approach. Refining the focus on stewardship theory further to social impact in the field, Van Slyke's observations that agency theory is an inappropriate framework in an innovation-focused environment, and that stewardship theory is particularly useful in situations where ". . . performance is not always easily observed and measured. . ." (2007, p161) are relevant.

The above discussion proposes that stewardship theory is relevant and has application to the social entrepreneurship and social enterprise field. However, in the case of relationships between venture capitalists and entrepreneurs, Arthurs & Busenitz (2003) argue that it is inadequate ". . . because it implicitly assumes the subordination of the steward's (entrepreneur's) goals" (p146) and that ". . . attention is still focused on aligning the interests of the steward (entrepreneur) with the principal (VC)" (p154). They go on to propose that ". . . it is becoming increasingly evident that new theory that specifically considers the centrality of the entrepreneur in the VC-E relationship is needed" (p156). Aspects such as trust relationships, sweat equity investment, non-financial contributions, entrepreneurial assets and other unique resources and capabilities are discussed – all of which are highly relevant to the social entrepreneurship and social enterprise field.

It is proposed that similarly to the venture capital field, the field of social entrepreneurship and social enterprise requires an approach to financier relations that promotes genuine goal congruence focused on pursuing demonstrable impact, and working from a basis of equity. The discussion below seeks to take the underlying tenets of stewardship theory further, and suggests that driving a focus on value creation and impact in the field could be well served through a 'joint-stewardship' approach.

THE 'JOINT-STEWARDSHIP' PROPOSAL

Extending the concept of 'stewardship' and applying it to the social entrepreneurship and social enterprise field may assist to more clearly differentiate financier relationships focused on value creation and social impact from more traditional funding arrangements; and therefore act as a catalyst for harnessing current practice and for driving new developments in the field.

The notion of 'joint-stewardship', as proposed here, requires that both financiers and practitioners demonstrate and expect stewardship-style behaviours in themselves and in each other as they work towards collaboratively-defined impact goals. It may be argued that this approach is not dissimilar in practice to the 'principal-steward' relationship as described by Van Slyke (2007). He suggests these relationships result in the steward "being monitored less and receiving rewards in the form of enhanced reputation and involvement in goal setting and program evaluation" . . . and that ". . . the principal in a principal-steward relationship invests in developing trustworthy relations with the steward through other types of contractual mechanisms that may cost more in the short run but offer long-term goal alignment" (p166). This approach could be seen to characterise a relationship on route to an equitable foundation, but still demonstrates the implicit hierarchy of the principal over the steward.

The notion of 'joint-stewardship' has potential to mitigate the hierarchical arrangements evident in principal-steward relations by providing both a conceptual and a practical basis for addressing the inherent power imbalance found in financing relationships. The pursuit of social impact is complex and multi-faceted. It is suggested that the most useful approaches to tackling this are and will be those that approach value generation and social impact assessment from an equitable foundation, promoting the unique contributions and core commitments of all involved, and genuinely taking mutual responsibility for progress towards agreed outcomes.

This proposition is highly speculative as the efficacy of this approach is even less evidenced, despite pockets of practice, than the more widely accepted notion of 'principal-steward'. As noted by Van Slyke ". . . little is known about the extent to which trusting principal-steward relationships evolve . . . and the quality and costs of the outcomes that result from principal-steward convergence" (2007, p183).

The section below discusses some of the possible characteristics and practical approaches to this 'way of working', drawing on examples of current practice and theory that could be grouped within a ‘joint-stewardship’ framework. It is not intended to be in any way definitive, aiming rather to promote discussion.

WHAT MIGHT ‘JOINT-STEWARDSHIP’ LOOK LIKE?

INVESTMENT MIND-SET

Social entrepreneurship and social enterprise financing (across the funding spectrum) is increasingly taking an investment approach. Ellis & Gregory describe the features of this as “. . . typically being specific about expectations and intentions of producing long-term outcomes, with a focus on achievements and being interested in tracking the impact of funding” (2008, p5).

This type of investment mind-set towards financing is considered critical in relationships where maximising value creation and social impact is the common goal. However, the approach needs to go beyond the traditional ‘funder mind-set’, which primarily attempts to understand value in relation to cost. In the context presented here, an investment mind-set would require that: financiers recognise they are mutually responsible for the development of analysis and reporting mechanisms capable of demonstrating the sought impacts; that all parties recognise significant investment occurs on both sides; and that therefore impacts must be collaboratively determined, pursued and demonstrated.

Tuan’s discussion of the complexities of determining value and impact, and the lack of sophistication and limited extent of approaches currently available, highlights the need for an investment mind-set (2008, p6). She argues that to address this “. . . [financiers] will need to invest in increasing the quality of the social and cost data infrastructure” (2008, p25). Emerson underscores this: “Funding must be made available to create and implement improved reporting and accountability systems capable of documenting the full value being created . . .” (2003, p10).

Lumley et al (2005) identify this critical issue in the context of financiers seeking high impact, suggesting that “[f]unders should recognise that measurement brings with it costs, in terms of both money and time. If they are interested in directing their funding towards excellent results, funders should also accept that resources have to be dedicated to measurement . . .” and also note that “. . . [t]he additional benefits through learning and improvement of results justify the additional costs incurred” (p7). Snibbe concurs that financiers should share the ‘burden’ and also agrees that “. . . turning evaluation into an opportunity for learning, rather than an occasion for judging. . .” (2006, p45) is possible through a partnering approach.

Kramer’s comments confirm that steps towards a ‘joint-stewardship’ style approach are already occurring; he reports that a number of social entrepreneurship focused foundations “. . . have moved toward greater engagement with their grantees, increased attention to capacity building, and more unrestricted operating support” (2005, p28). Whilst Osberg promotes a new generation of successful commercial-sector entrepreneurs who are entering the financier sector, and coming with a strong interest in social entrepreneurship as a catalyst for change. She advises they are providing input well beyond the grant selection and award stages and devoting the majority of their time to engaging with their 'investment partners' ". . . throughout the term of the partnership and in ways that go well beyond [the] financial investment" (Osberg, 2006, p314).

In addition to the investment of financial resources, the increased investment of time to establish the relationship and develop goal alignment means that the up-front costs associated with an investment mind-set are generally higher than more traditional approaches. It therefore requires a shift away from solely cost-focused conceptions of value. However, through reference to the literature on principal-steward relationships, where there is also a focus on collective goals, there is precedent that these transactional costs ". . . may well decline as each party better understands the others' motives, actions, and signals . . . [and that] . . . the increased trust developed through mutual goal alignment can reduce monitoring costs over time (2007, p165-6).

At the core of an investment mind-set is an understanding on both sides that the ". . . nature of investment and return is not a trade off between social and financial interest but rather the pursuit of an embedded value proposition composed of both" (Emerson, 2003, p38), and which after all both parties are in pursuit of.

PEER-TO-PEER RELATIONSHIPS

Implicit imbalances are common in traditional financing relationships and Barraket argues that ". . . we need to recognise the effects of relations of power . . . on the ways in which the dominant perspectives frame problems and their solutions. . . . entrenched social and environmental problems are the subject of ongoing deliberation and debate because they are complex, but also because they are contested. Excising deliberation and dissent from the equation in the name of adopting 'rational' business approaches to producing social value is unlikely to produce transformative outcomes" (2009, p8). Nurturing the trust that must be at the core of 'joint-stewardship' relationships may develop a culture conducive to challenging accepted norms and operating paradigms. This must go beyond traditional consensual approaches (which can slide towards 'soft' options when partners can't agree) towards the creation of a platform for genuinely tackling the complexities of 'wicked' issues. For financiers of social entrepreneurs and social enterprises seeking social value creation and impact this culture is critical to success.

To foster this culture, the 'joint-stewardship' proposal suggests relationships between financiers and social entrepreneurs and social enterprises must be based on a peer-to-peer foundation. This requires acknowledging that mutual investment is being made by those involved, that all parties bring contributions of equal worth to the table, and that none could pursue the specific focus alone. Arthurs & Busenitz's observations on venture capitalist-entrepreneur relations is relevant here. They suggest that input be examined from a complementary perspective, assuming the parties are ". . . unique and are likely to have varied resources, some of which have the potential to be valuable, rare and difficult to imitate . . ." (Arthurs & Busenitz, 2003, p159).

Osberg's (2006) discussion on a new generation of 'high-engagement' grantmakers is of interest here also. She notes that, whilst research proving the impact of this approach is still nascent, most to date has focused on how grantees benefit from their funder partners rather than mutual benefits (p320). She suggests that ". . . high engagement funders are deriving significant benefits from their grantee partner. . . It would seem that even those who enter philanthropy confident in their abilities to add value are chastened by the experience . . . [There is an] early bias towards believing business had the answers and subsequent realisation that the effort to demonstrate social benefit required long-term persistence and no small measure of commitment" (p321). This is echoed in Barraket's noting of the ". . . presumed hierarchy of knowledge that places business expertise above other kinds of social, cultural and technical knowledges . . ." (2009, p8). Osberg goes on to stress that relationships between financiers and social entrepreneurs need to move beyond the positions of power seen in traditional funding arrangements to ". . .terms of engagement position[ed] . . . for learning and partnership" (2006, p320-321).

COLLABORATIVE METHOD DEVELOPMENT

The culture of trust and acknowledgement discussed above is also the foundation for genuine collaboration on social impact assessment method development. Method development is challenging. In addition to practical constraints (such as resources and time) the complex conceptual issues indicated earlier must be considered. As Achleitner et al advise ". . . a conceptual framework of reporting in social entrepreneurship has to be theoretically well-grounded and reviewed while considering practical possibilities and restraints" (2009, p8).

Under the 'joint-stewardship' proposal the method/s that will be appropriate, feasible and credible in a given case would be determined collaboratively between key stakeholders, financiers and their social entrepreneur and social enterprise partners. Many competing priorities will be evident at this stage and Armstrong notes that "[f]easibility and credibility factors often conflict when assessment methods are actually applied" (2006, p9). The complexities of this process will be further compounded if a number of organisations (financiers and/or social entrepreneurs/enterprises) are involved in a specific 'impact pursuit'. However, taking the time to tease out the subtleties and nuances of different perspectives and expectations at this stage is the cornerstone to laying a solid foundation on which to build the complex work to come.

A core discussion is around the difference between frameworks and tools, and the appropriate interaction between these in a given case. Frameworks provide an overarching strategy for organising the approach to impact assessment, whereas tools are designed to assess specific aspects of activity. Choices in both areas should consider the specific context.

In addition to literature on individual approaches, there are also a number of compilations describing and comparing various approaches currently in use. This diversity reflects Olsen & Galimidi's observation that ". . . there is not one single measurement answer. Instead the answer depends on what solution is most appropriate for a particular . . . 'impact profile' . . ." (2008, p3).

Nicholls (2009, p756) discusses current reporting practices in social entrepreneurship, finding that they are "emergent and dynamic – drawing on existing practice but also, in the process, innovating and reshaping these practices" and argues that that this approach "represent[s] one of the unique features that set . . . [social entrepreneurs] apart from other social sector organizations". This openness to learn through experience should be viewed as an asset in impact-focused financing relationships.

However, collaborative working in this environment also requires a high level of 'self/organisational awareness' amongst the entities involved, or the degree to which the 'joint-stewardship' approach can be developed will be affected. A Rockefeller & Goldman Sachs report draws attention to this, highlighting that responsibility must be taken by both 'sides' of the financing relationship: "In some cases, funders themselves lack a clear theory of change, and therefore lack clear goals. A funder's lack of clarity often has a trickle-down effect on grantees . . . impact cannot be measured without clear goals" (2003, p15).

Snibbe also advocates for investing in thinking through the theory of change at the 'front end' (2006, p45). It is suggested that in a 'joint-stewardship' relationship this should extend to what the parties aim to achieve *together* and as a result of their collaboration, rather than just focusing on where their objectives meet – as is often the case in more traditional partnership arrangements. Clarity achieved through this process is the foundation for jointly developing rigorous, credible and practical impact assessment methods that assist with advancing progress towards the desired impact.

RISK & TIME TOLERANCE

There is a fundamental disconnect between the time horizons of many financiers and the often complex social, environmental or cultural impacts they seek. This is particularly true for those working in areas characterised by 'wicked issues'. In the policy context Lawlor et al confirm that ". . . the time horizons of evaluations are still too short" (2009, p6) and this position is echoed in the grantmaking sector: "Most funders are involved with a given organization for a few years at most, yet results may take decades to realize" (Rockefeller & Goldman Sachs, 2003, p14).

Lawlor et al (2009) also argue for a re-defining of the notion of failure, and recognition that it is a fluid concept dependent on perspectives: "[R]isk and failure need to be put in perspective; recognising that there can be no innovation and learning without some degree of failure" (p20). Kramer's discussion illustrates how this could translate into 'joint-stewardship' relationships: "A project may be considered successful even if it does not meet its original goals . . . as both parties exhibit a willingness to change direction as events unfold. This necessitates a close working relationship . . . [so that a] . . . subjective determination about whether a change of direction is evidence of a failed project or a successful adaptation to unforeseen circumstances" (2005, p13) can be made. He also notes that in cases where a well-developed relationship is in place "[e]ven if the original idea fails, the funder and Social Entrepreneur may continue working together to find alternative solutions" (Kramer, 2005, p2) to their common impact goal. The importance of being able to take risks and learn is particularly pointed in the social entrepreneurship and social enterprise field ". . . because many innovative programs are only one step ahead of the issues they have been formed to address . . . [and] . . . it is not at all clear which indicators they should be tracking" (Snibbe, 2006, p42).

Forstater et al also suggest that a 'rear-view mirror' approach to performance is not enough when ". . . innovating new solutions to social and environmental issues" (2006, p15). And Snibbe argues that summative evaluations are the 'enemies of innovation' and quotes an interviewee (Patton) in proposing that ". . . when you want people to be innovative, what you need is a process that allows you to try out things, alter things, change things, get feedback, and adapt'. Summative evaluations require the opposite of innovation. . ." (2006, p44).

A 'joint-stewardship' approach may provide the context needed for the informed and sustained consideration required to determine how risk and time tolerance, and consequently nimbleness and innovation, can be achieved in financier relationships.

NETWORK-FOR-IMPACT ORIENTATION

In pursuing greater impact potential, interest in replication and/or scaling is common in this field. However, there is increasing recognition that this is not a guaranteed pathway to greater impact. "There is an understandable wish by government departments and those responsible for centrally managed initiatives to 'roll out' anything that is found to be successful. A problem is solved in one place by a particular set of actions and it is often assumed that it would therefore be a 'good thing' to scale up . . . [however] these attempts are vastly less successful than the original . . ." (Young & Young, 2008, p67).

Rather than seeking to replicate or scale up small, local successful ventures Leadbeater suggests networks as an alternative pathway to greater impact. "[B]uilding a social enterprise to scale may be only one option. Others might include ways of clustering social enterprises together, helping them to form alliances, federations and networks that give them scale. . . Scale of organisation is no measure of potential impact . . . we need more intelligent strategies to scale their impact, even if the social enterprise itself remains small" (2007, p10). Again we see impact as the central concept, with the attributes of the entity being secondary to what it can achieve.

The 'joint-stewardship' proposal includes extending beyond binary relationships involving a financier and a social entrepreneur or social enterprise, to network oriented relationships. The benefits of building networks in pursuit of impact, as collaboratively defined, are described by Leadbeater: "In networked social entrepreneurship, the aim is not to grow a single organisation but to achieve greater impact through a network of collaborators and partners. An organisation . . . might be at the core of the network, but most of the impact comes from the reach of the network of partners. That increases the range of resources that can be brought to bear on an issue and multiplies the number of experiments and innovations, allowing solutions to be tailored to particular circumstances" (2006, p240).

This 'network-for-impact' orientation goes beyond the relatively common practice in place in the philanthropic sector, where funded organisations are invited (and expected) to participate in the network activities of their funders. As noted by Kramer, whilst these activities can be useful it is critical that they deliver tangible benefits or the time consumed can become more about the funder's needs than in service of the pursuit of impact (2005, p24-25). Taking the network approach to the impact level, the 'constellation model' developed by the Canadian Partnership provides an interesting example. It shows how a 'joint-stewardship' approach can work in a network framework, one which could potentially be adapted to financier relationships:

> "Bringing together groups from multiple sectors to work towards a joint outcome, the change activities are handled by 'constellations' or small, self-organising teams. These teams thread into an overall partnership, which is held together with a framework that shares leadership between the partners. . . . Inspired by complexity theory. . . At the core . . . [are] . . . lightweight governance, action-focused work teams and third-party coordination. . . it is helpful for organisations that want to solve concrete problems within the context of a rapidly changing, complex ecosystem. . . . All understand they cannot achieve their goals alone but, rather, need to be players within the broader ecosystem" (Surman & Surman, 2008, p25-29).

Responses to uncertainty and complex ecosystems are also evident in cases where contracts for new and innovative approaches to the delivery of public services are being developed. Van Slyke notes that "[i]ncreasingly, there is joint production among many actors for the provision of governmental services that may be inadequately specified . . ." (2007, p183). Leadbeater proposes that the key ". . . to mobilising social enterprises as a force for innovation . . . will be to commission for innovation more intelligently . . ." (2007, p12). In a discussion on governing through networks, also in a public sector context, Barraket stresses the importance of ". . . different policy actors hav[ing] their own values frameworks" . . . before attempting to develop the shared norms ". . . critical to governing beyond bureaucracy" (2008, p140). This focus on clarity of purpose and collaborative working is reflective of 'joint-stewardship' as presented here and it is proposed that genuine attempts to co-produce services, that include collaboration amongst relevant networks to establish impact targets, fall within this framework.

COMMITMENT TO THE COMMONS

Moving to the next tier of relationships, 'joint-stewardship' is an approach that could drive a focus on furthering social impact assessment across the field as a whole. Beyond individual relationships between a financier and a social entrepreneur or social enterprise, and beyond network-for-impact relationships around specific issues, there is also a clear need for a commitment to the commons.

As noted by Nicholls the social impact arena ". . . has become a busy area against a context of a relatively small number of organisations using these approaches. . . The growing number of labels and tools and the difficulties of auditing these can confuse . . . and perhaps even reduce demand for these approaches" (2007, p8). Indeed through the case of Rubicon, Snibbe draws attention to this issue on a practical level, arguing that ". . . [f]unders should . . . coordinate with each other to consolidate their evaluation requirements, so that organisations . . . don't have to create hundreds of different reports. . ." (2006, p45).

Discussing the development of sustainability reporting in the commercial sector, a journey with relevance to the evolving social entrepreneur and social enterprise field, Zadek suggests that ". . . divergent terminology and method can be a sign of flourishing creativity in the early stages of the lifecycle of an innovation of any kind. For the innovation to mature in terms of more widespread use or take-up, however, requires that it becomes less dynamic, more stable, and more recognisable" (Zadek, 1998, no page).

In 1998 Zadek was calling for better standardization in commercial sector sustainability reporting, noting that "[w]hilst experimentation has and can in some areas continue to yield a wealth of experiences, there is equally a need to limit the danger of a fragmentation of efforts and directions leading to considerable confusion as to what different methods are being used, and to what effect" (Zadek, 1998, no page). Zadek acknowledges that there is 'some strength in diversity for diverse needs', but argues that ". . . there are variations between methods and practice that are not justified by any objective difference in circumstances and need" (1998, no page).

In considering aspects of the process in the social entrepreneurship and social enterprise field that could benefit from standardisation, Nicholls suggests there may be ". . . an advantage in sets of outcome indicators that are common to particular social objectives . . ." . . . and . . . "some commonality of indicators within similar markets will also facilitate the ability to trade on social and environmental value" (2007, p 8-9).

Consideration should also be given to focusing indicators on measuring success and to promoting the capacities of individuals and communities, rather than their lacks. "Positive indicators . . . are needed if we are to improve our ability to develop innovative and holistic policy. It is often assumed that success is simply the absence of failure, but measuring success might involve measuring a whole range of different things" (Lawlor et al, 2009, p20).

As part of the documentation and analysis process, Kramer calls for ". . . the codification of . . . knowledge so that more general principles can be discovered and learnings can be shared more widely. If results are not tracked consistently and systematically, it will be very hard to improve over time" (2005, p28). This points clearly to the tension between generalisable knowledge and the importance of context in understanding complex impact data. This tension indicates an area where further robust research would greatly benefit the field.

However, as the social entrepreneurship and social enterprise fields are not at a point where it is predetermined what should be measured or how Olsen & Galimidi suggest a perhaps achievable step: "[T]he next best thing is for each investor, regardless of *what* it measures, to lay the groundwork for greater standardization by clearly documenting the *reasoning* behind its measurements, and to make this reasoning - separate from results, which may be confidential - available in a public database. Specifically, investors should document the scope, sources, units of measurement, and time periods they have applied to a given . . . impact assessment (2008b, p13). On a similarly practical note they also suggest that ". . . there is a need for standardization of the order and layout of impact reports . . ." (2008, p13).

The work of Dawans and Alter (2009) outlining their Four Lenses Framework for examining social enterprise performance is of interest here also. It explicitly aims to contribute knowledge and resources to the commons and to provide a catalyst for ongoing discussion and development in this area. Their work could assist those interested in exploring 'joint-stewardship' relationships.

Acumen Fund's work on the Portfolio Data Management System (PDMS) also provides an interesting and very practical example of how work in this area could take a 'joint-stewardship' approach to the commons. Trelstad discusses the motivations behind Acumen's significant investment into the system's development: "The challenge facing those leading organisations is how to take the first step towards transparency, and how to invest the time in solutions that might benefit the sector and not just our organisation. . . By working collaboratively, sharing what works and what doesn't, and defining collective solutions to our common problems, we might just answer questions about social impact. . . . If we can solve the problems of collaboration . . . we can build tools that are easy to use" (2009, p206).

Keystone is also contributing to collaborative, commons-focused development in this area. "Keystone has replaced the idea of a reporting and accountability model, with a process of coming up with 'generally accepted principles for'. . . [it] runs an inclusive conversation to foster generally accepted principles for civil society reporting and accountability with a view to deriving a framework based on an agreed conception of quality, allowing diverse actors - social investors, activists, citizen organizations - to engage from their distinctive vantage points" (Hartigan, 2006, p351).

This move away from 'hard and fast' indicators is also reflected by Young, who suggests that "[i]n real life environments the sort of comparability that is so important in traditional financial markets becomes much less feasible for units of social value . . . perhaps the goal of harmonization across approaches, of cultivating a better informed craft based on shared knowledge and new evaluative practices, is a more realistic goal than an attempt to create a more 'scientific' metrical regime which privileges the outcomes of one tool or another" (2006, p58). Further robust discussion as to how these concepts may relate to the social entrepreneurship and social enterprise field is needed to move towards a 'joint-stewardship' approach to financing.

CONCLUSION

This paper has discussed current theory and practice in social impact assessment, with a particular focus on the social entrepreneurship and social enterprise field. In doing this it has outlined influencing trends, indicated key conceptual challenges and proposed a possible approach to harnessing and driving a focus on impact-focused financier relationships.

New ways of determining and communicating value and impact are needed if social, environmental and cultural outcomes are to be assessed on the same terms as traditional economic indicators. In engaging with this challenge it is essential to remember that measurement and reporting are not an end in themselves. They are only useful if they facilitate change, as noted by Forstater et al: ". . . the *process* . . . is the single most important driver of change in how things to be reported are managed, since it increases . . . knowledge, enables reflection and catalyses policies and practices" (Forstater et al, 2006, p11)

The potential of 'joint-stewardship' style relationships to the pursuit of social impact has been proposed and discussed. Leadbeater illustrates core aspects of this, in a discussion on social innovation: "Social innovation does not always come from lone, heroic innovators. Social innovation is often the product of joint authorship that combines the inputs of many people. This process cannot be controlled or planned from on high, nor does it emerge spontaneously from below . . . [it] requires an open, collaborative style of leadership to encourage . . . complementary commitments . . . This kind of leadership is strong on shared values and norms, light on rules and processes" (2006, p244).

To address complex social and environmental issues, *The Phoenix Economy* report argues that "[t]here is a need to support and adopt investment metrics that align financial investment more closely with long-term societal goals . . . pull[ing] together blends of private, public and philanthropic funding seeking to mainstream social impact investment" (Volans Ventures, 2009, p39).

Developing the language and tools to explore and express the holistic dimensions of value that will unlock these types of cross-sector resources will require new types of financing relationships. Could recognizing, legitimating and pursuing 'joint-stewardship' approaches move the field in this direction?

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