Introduction

Over the past 10 years, 'social entrepreneurship' has emerged as an important set of actions and discourses for social activists, policy makers, academics and the media (Economist, 2005a, 2005b, 2005c, 2006a, 2006b, 2006c, 2006d, 2007a, 2007b, 2009; Nicholls, 2006, 2009a). Moreover, the number of social entrepreneurs and social enterprises is rising globally, as is their influence and impact (Bornstein, 2004; Drayton, 2002; Harding, 2004; Nicholls & Young, 2008). In both the USA and UK such organizations are increasingly being portrayed as having a key role to play in welfare and environmental policy innovation going forward, as well as in helping to restore economic activity post the global recession (Hutton & Schneider, 2008; Mair & Seelos, 2007; Prahalad, 2005). In the global south, social entrepreneurship is also well-established as playing an important role in the provision of public goods on a spectrum from small-scale, local solutions to poverty and social deprivation (i.e. co-operatives) to functioning as a quasi-government in terms of welfare provision and employment (i.e. Grameen and BRAC in Bangladesh: see Yunus, 1998). However, despite the importance of social entrepreneurship at the field level, scholarly interest in the subject has been limited and, as a result, social entrepreneurship remains distinctly undertheorized (Dees & Battle Anderson, 2006; Mair & Marti, 2006; Nicholls, 2009a; Nyssens, 2006).

Social entrepreneurship is defined here as any innovative action that individuals, organizations, or networks conduct to enhance or reconfigure existing institutional arrangements to address the inadequate provision, or unequal distribution, of social and environmental goods (Dees, 1994, 1998a, 1998b; Light, 2008; Nicholls, 2008a). Social entrepreneurship ranges from macro-level interventions that fill 'institutional voids' in existing societal structures and arrangements (such Grameen Bank's and BRAC's work) to accessing resources and realizing organizational mission objectives with key stakeholders. Conclusions consider some further questions around socially entrepreneurial reporting practices and strategies and suggest some new lines of research going forward.
poor in Bangladesh) to micro-level technological solutions to local market failures (such as Kickstarter’s development and marketing of a new, low cost, foot pump for agricultural irrigation in East Africa). It is also typified by creative and marketing of a new, low cost, foot pump for agricultural objectives (see Nicholls, 2008b, in press for some initial work in this area). The reporting practices evident in an analysis of social entrepreneurship are emergent and dynamic – drawing upon existing practice but also, in the process, innovating and reshaping these practices. The developments in social impact reporting seen in social entrepreneurship are generating innovations over time and are consistent with the bricolage evident in social entrepreneurs’ attitude to problem-solving more generally and, to go further, represent one of the unique features that set such action apart from other social sector organizations. It is argued below that these emergent reporting practices constitute a spectrum of disclosure logics that social entrepreneurs exploit strategically to support their various mission objectives with key stakeholders. Such reporting practices not only account for financial performance but also report more nuanced and contingent social and environmental impacts and outcomes. Furthermore, the new social reporting practices themselves act as symbolic objects (Meyer & Rowan, 1977) demonstrating the core ethos of many socially entrepreneurial organizations: ‘we do good things: don’t we?’ (FRC, 2004). This competitive self-interrogation of social performance and impact has been summarized as the ‘moral obligation’ of social entrepreneurs to perform better and be more accountable than other social purpose organizations (Black, 2003). Such competitive behaviour reflects the more market orientated and impartially of reporting systems is open to contestation (Hopwood, 1978, 1983). From this perspective, reporting data is a contingent phenomenon that is the product as much of institutional structures as of rationalist processes (Power, 1994a, 1994b, 2003). Of particularly significance here is Palmer and Vinten’s (1998) analysis of a range of theoretical interpretations applied to charity reporting in the UK. Their research identified three approaches to conceptualizing the function and effects of charity reporting, disclosure, and audit: positivist (i.e. reporting data represents empirical reality: Whittington, 1986); critical theorist (i.e. reporting data enacts control mechanisms: Chua, 1986; Power & Laughlin, 1996; see also Lukes, 1974); and interpretative (i.e. reporting data acts as a symbolic mediator or space for discussion between organizational practice and stakeholders: Gambling, Jones, & Karim, 1993; Ryan, Scapens, & Theobald, 1992). Social entrepreneurs recognize, and make strategic use of, all three interpretations to achieve different strategic objectives. At the conceptual level this may seem theoretically chaotic, but on the ground it fits well with the innovation, boundary blurring, strategic instrumentalism, and bricolage typical of social entrepreneurship in general. Thus, social impact reporting practices in social entrepreneurship attempt self-reflexively to enhance social mission rather than merely to respond to regulation, convention, or other isomorphic pressures. There are echoes here with Kantian (1978; Power, 2007) notions of the ‘regulative’ use of processes of enquiry in natural science – namely that, for social entrepreneurs, social impact reporting does not so much attempt to capture empirical reality as to act as an analytic methodology by which social impact can be better understood and, therefore, more effective operational responses designed.

With respect to the rationalist/positivist interpretation on disclosure and audit, social entrepreneurs typically use reporting practices within internal command and control structures to enhance performance and improve the efficiency and effectiveness of their delivery of mission objectives (Nicholls & Cho, 2006). Social entrepreneurs typically recognize the sub-optimal institutional practices and structures that create and perpetuate social and environmental failure and degradation at both the systemic and organizational level. Whilst the former requires social entrepreneurship to act as social movements that transform sub-optimal societal cognitive frames by innovation at the macro-political level (Zald, 2000; Zald & Davis, 2005), the latter focuses on micro-internal change at the level of organizational practices and action. In both cases, the market orientation of social entrepreneurship provides a competitive strategic impetus to improve performance impact.

With respect to the critical realist interpretation, changes in the resource landscape have been important drivers of some new social impact reporting practices. Increasingly, foundations, governments, and high net worth individuals have demanded more reliable monitoring of the outcomes of their grant inputs (increasingly seen as social ‘investment’ or contractual obligation within a quasi-market context: John, 2006, 2007). Traditional models of transactional philanthropy, that reported performance success by the number and variety of grants allocated, have been replaced by a new investment philanthropy that measures success as a function of maximizing the impact of the donor’s capital ‘investment’ by the total (social) value created (Anheier & Leat, 2006; Bernholz, 2004; Bishop & Green, 2008). This latter approach is also being extended in a venture philanthropy model that not only pays great attention to the impact ‘return’ on philanthropic investment, but also has a highly engaged, even interventionist, approach to the strategic management of the recipient organization (John, 2006). The philanthropic perspective on performance has, therefore, moved from a focus on reporting philanthropic inputs to an emphasis on disclosing grantee organizational outputs and outcomes. Second, as a consequence of the grant scarcity that followed the stock market crash of early 2000 (when many philanthropic funds had to cut back on capital spending), more and more social purpose organizations have turned
to earned income strategies to survive thus engaging – in many cases for the first time – with market competition. This produced the social enterprise model that combines a social purpose with a clear business proposition (Boschee, 1995; Boschee & McClurg, 2003; Dees, Emerson, & Economy, 2001). As social enterprises adapted competitive market models to their social purpose, regulation and investor pressure required them to go beyond charity reporting and adopt the reporting practices found in commercial organizations. Typically this increased the reporting burden on the organizations, but also offered the opportunity to assess some aspects of performance – notably financial sustainability – in a more rigorous way.

Finally, the interpretive conceptualization of the purpose of reporting practices corresponds to social entrepreneurs’ heightened attention to their external accountability and stakeholder engagement framed by a more social constructivist view of social impact and influence (Dart, 2004; Gray, 2002; Kendall & Knapp, 2000; Paton, 2003). Under conditions of late modernity (Giddens, 1990), systems of performance reporting, audit, and risk management have been recognized as key legitimating features of all successfully functioning organizations (Austin, 1996; Power, 1994a, 1994b, 2007; Rousseau, 2006). Disclosure practices thus build an argument for (or against) society granting the reporting organization a mandate to operate by creating (or destroying) perceptions of its accountability and legitimacy (Jepson, 2005; Nicholls, 2008b, in press; Suchman, 1995). In social entrepreneurship, increased attention to accountability reflects the changing institutional context within which its organizational legitimacy is constructed. There are two quite different trends underpinning these changes.

On the one hand, there is a ‘top down’ movement towards adopting business models and reporting practices in the social sector based on the assumption that they enhance stakeholder accountability, improve transparency, and, therefore, offer better performance legitimacy. This rationale is evident on the UK government’s approach to supporting the growth of social enterprise within a mixed market for the delivery for welfare services (OTS, 2006). On the other hand, there is a ‘bottom up’ trend towards facilitating greater stakeholder engagement in designing the reporting practices that affect them (e.g. Keystone; see Jacobs, 2006). The interpretive context of the new social impact reporting as accountability enhancement can be seen as being characterized by a tension between these two approaches. This tension contrasts business logics that aim for the marketization of social objectives and an attendant financialization of their social outputs/outcomes with nonprofit logics that give primacy to the development of more nuanced and bespoke reporting practices that reflect beneficiaries and their specific contexts. This dichotomy reflects a larger debate within social entrepreneurship centered on the role and value of business and enterprise as the preferred normative models for action across society as a whole (Dart, 2004).

Following this introductory section, the current landscape of performance reporting in the social sector is presented. The range of social impact reporting practices available to social entrepreneurs is then set out. Following this, five brief case studies are presented that highlight different strategic approaches to social impact reporting in terms of the available disclosure practices. Case study methodology is used here to allow comparative analysis to be carried out at the organizational level (Miles & Huberman, 1994; Ritchie & Lewis, 2003). Given the lack of existing research on social impact reporting in the social entrepreneurship area, the case approach is also appropriate to this exploratory study of reporting phenomena embedded in their context. A discussion of the cases leads to the development of a new theoretical construct – ‘Blended Value Accounting’ – that is used to illustrate how social entrepreneurs use reporting practices creatively as strategic tools to access resources and realize organizational mission objectives. Finally, conclusions consider some further questions around the new social impact reporting practices and strategies and suggest some lines of research going forward.

The primary empirical focus here will be on the UK, since this represents one of the most developed institutional settings for social entrepreneurship (OTS, 2006). Furthermore, a discussion across multiple geographies would present significant analytic challenges in terms of country specific legal structures and regulatory regimes. Nevertheless, the conceptual discussion developed here has relevance across many other cultural settings and this is considered further in the conclusions. Moreover, the conceptualization of Blended Value Accounting in social entrepreneurship developed here offers a rich set of opportunities for future research of relevance not only to social sector organizations, but also to the wider reporting and accounting community. As commercial firms and governments attempt increasingly to capture their social and environmental impacts social entrepreneurs and their innovative reporting practices offer new models of how such objectives may be more effectively achieved.

Performance reporting in the social sector

In commercial settings, the main systems of performance reporting have become established in accounting standards via a combination of common practice and regulation that has largely evolved over the last hundred years (Hopwood, 1983; Hopwood & Miller, 1994). The universal unit of performance measurement is financial, and accounting conventions have stabilized over time to support the production of regular, comparative, and longitudinal data (see Miller, 1994). In the public sector, welfare economics (Arrow, 1951; Chipman & Moore, 1978; Feldman, 1980; Little, 1950; O’Connell, 1982) has developed to inform public expenditure decision-making with quantitative analysis of performance and impact and has supported a trend within New Public Management for reporting on more evidence-based policy (Bevan & Hood, 2006; Hood, 1991; Osborne & Gaebler, 1992). Since the 1980s market economics – and its attendant performance reporting logics – has also entered the mainstream of public policy discourses with the consequence that league tables and other quasi-market reporting mechanisms have been created to make public sector performance informa-
tion more generally available (see, for example, LeGrand, 2003; LeGrand & Bartlett, 1993).

In contrast, the social sector has largely operated under conditions of limited performance reporting with few accounting conventions and the minimum of regulation around disclosure (Clotfelter, 1992; DiMaggio & Anheier, 1990; Edwards & Hulme, 1995, 1996; Forbes, 1998). For example, whilst the ‘social’ accounting movement has attempted to (re)connect corporate financial performance with its social and environmental context over the last decade (Elkington, 1997; Gray, 2002), charity regulation in the UK remains largely unchanged from its original eighteenth century model (see, for example, Connolly & Hyndman, 2000). The first comprehensive account of UK charity reporting revealed this regulation to be hardly fit for purpose when it catalogued a fragmented and inconsistent approach to charity accounting (Bird & Morgan-Jones, 1981) with non-mandatory reporting requirements resulting in widespread non-compliance (Hines & Jones, 1992). More recent regulation within the Charity Law Act (1996) standardized charity reporting practices and stressed the need for compliance, but there has yet to be any comprehensive review of its impact. The striking lack of rigorous reporting practices across much of the social sector can be explained by a number of factors.

First, there is the question of what is to be measured and reported. There is a widespread perceived difficulty in establishing the relationship between complex input factors (grants, volunteers, market income, social capital, etc.) and the social impacts that correspond to the mission objectives of such organizations (Kendall & Knapp, 2000). Unlike businesses that operate in narrow and well-defined commercial spaces structured around markets, social sector organizations operate across all areas of society and, as a consequence, engage with a wide diversity of resource inputs (actual and ‘in kind’: e.g. donations, grants, membership fees, volunteer time, government subsidies, commercial income, etc.), function in a plethora of institutional settings (market and non-market) and generate multiple, distinctive, non-comparable outputs. The institutional complexity of social sector action also makes deadweight calculations formidably difficult (Nicholls, 2004a).

Second, there is the question of how to measure what is to be reported. As yet, there are no standardized calculative mechanisms for social value creation, nor any comparative unit of measurement (Paton, 2003). Within welfare economics it has been suggested that the value of a social good may be priced at what a beneficiary or consumer would be willing to pay for it (Clotfelter, 1992; Kendall, 2003) and this allows performance outputs to be compared with resource inputs. Yet, such valuation fails to support the generation of effective performance data in contexts where there are no comparable or proxy goods or services available to the market. Since social purpose organizations typically operate in these ‘market failure’ spaces (Nicholls, 2006), welfare economics has proved to be of limited help in providing performance measures. Similarly, since they also work across a broad spectrum of heterogeneous activity, it is very difficult to demonstrate comparable performance reporting measures. How, for example, can a reduction in social exclusion via employment creation be quantitatively compared to the rehabilitation of a drug user? The importance of longitudinal reporting is also problematic: for example, the assessment of the performance of an ex-offender rehabilitation unit is unlikely to be valid in time frames less than several years. Similarly, the value of life-saving interventions – such as those provided by many international aid agencies – could be seen as being priceless. The historic result of these reporting difficulties has been that resources are typically allocated to social purpose organizations based on trust, reputation, market positioning, or mission alignment between the source and recipient of the resources, rather than on disclosed performance (Foster & Bradach, 2005).

Third, there is the issue of what is the purpose of measurement and reporting. Giddens (1990) noted that modern economic interactions are complex and increasingly dehumanized and in this context ‘systems trust’ has emerged to provide proxies for personalized interactions. Power (2007) suggested that the rise of these new trust-based relationships has generated an ecosystem of actors and systems that can act for the principals in economic settings and, thus, reduce their risk. These include internal control systems, public disclosures and regulation, and a third party audit ‘industry’. Social purpose organizations have typically been accorded significant levels of trust based on their stated objectives rather than their performance reporting: the social impact of such organizations was taken as largely self-evident due to their stated public mission focus and non-distribution requirement (DiMaggio & Anheier, 1990). As a consequence, statements of social mission and organizational form have traditionally acted as risk mitigation proxies for the efficiency and effectiveness of management and operations and detailed performance reporting has typically been absent from the social sector (Edwards & Hulme, 1995, 1996). For example, the adoption of charitable status has acted as a proxy for the effective use of donor money and government subsidy. Similarly, non-governmental organizations are usually granted a societal mandate to represent the public interest on specific issues by virtue of their stated independence and – sometimes – membership/supporter numbers. In both cases the actual social impact of such organizations is often unmeasured and is typically subject to limited disclosure. This cognitive legitimacy ‘surplus’ (Jepson, 2005; Lister, 2003; Nicholls, 2008b; Suchman, 1995) conventionally accorded by society to social purpose organizations has resulted in less demanding reporting regulations than for commercial organizations (that lack such a surplus) and has modified perceptions of agency risk for resource providers and other stakeholders such that more stringent performance measurement and disclosure has been considered unnecessary. This legitimacy surplus has had two effects. First, it has reduced the public accountability of charities, non-governmental organizations, and other social purpose actors (Jacobs, 2006; Jepson, 2005). Second, it threatens to undermine their performance impact since there is a reduced incentive to generate the data that could help shape strategic innovation and future operational improvements (Nicholls, 2008b, in press). The consequence of such a (perhaps unjustified) cognitive legitimacy surplus has been a range of sub-optimal performance outcomes across the social sector (Bishop & Green, 2008; Col-
Social entrepreneurs recognize that existing models of social impact reporting are inadequate for social purpose organizations that aim to innovate in the context of long-standing institutional failures. This is because conventional reporting practices have contributed to the persistence of these dysfunctions by failing to demonstrate the full value creation opportunities offered by such institutional voids (Mair & Marti, 2006). As a consequence, incentive structures are skewed such that, on the one hand, they discourage new organizations from entering the empty institutional spaces and, on the other, fail to drive performance improvement or innovations in any incumbent (and de facto failing) organizations. Elsewhere, this type of reporting dysfunction can be seen in the failure of standard accounting practices to capture environmental externalities or properly to account for the real value of public goods (the so-called Tragedy of the Commons).

In this context, social entrepreneurship represents – amidst other things – a disruptive response to this sub-optimal reporting status quo by innovating its accounting practices and disclosure techniques around a set of competitive market orientations and logics to address social or environmental mission objectives (Alvord, Brown, & Letts, 2004; Dees, 1994, 1998a, 1998b; Leadbeater, 1997; Light, 2008; Nicholls, 2004a, 2006, 2008a). Social entrepreneurs innovate both in their use of existing reporting practices and by creating entirely new approaches that go significantly beyond regulatory requirements. In tandem with these practice innovations, larger conversations about the structure of impact reporting and accountability have also been evident in development NGOs (e.g. the BOND, 2006), environmental organizations (Jepson, 2005) and charitable foundations (Edwards & Hulme, 1995, 1996: for a summary see Nicholls, 2008b). The new – often hybrid – operational models of social entrepreneurship blur sector boundaries (often, but not exclusively, between business and the social sector: Dees, 1994) and are reflected in new reporting practices that go beyond the requirements of regulation to act as strategic innovations designed to drive improved performance impact and better functioning stakeholder accountability (Nicholls, 2008b). Moreover, reporting innovations in social entrepreneurship aim to give equal strategic attention to capturing and disclosing social and financial value creation in combination. The cases below illustrate a range of responses to the challenges of disclosing financial and social value creation, but, first, to provide an analytic context for the subsequent empirical data, the larger landscape of social impact reporting practices is set out.

**Social impact reporting practices**

Social entrepreneurs are highly innovative in their organizational strategies (Nicholls, 2006). In many cases their willingness to explore new hybrid organizational forms – including partnerships across the public, private, and social sectors – generates the innovation that allows intractable social and environmental problems to be successfully addressed. By rejecting the conventional boundaries between, for example, charity and the market, social entrepreneurs are able to fill the institutional voids so typical of social and environmental market failure (Mair & Marti, 2006). As a consequence, social entrepreneurship is present in a wide variety of organizational forms and incorporations, each of which has its own reporting conventions and regulations. In the UK these include: charities (trading or otherwise); industrial and provident societies; companies limited by guarantee; companies limited by shares (perhaps the most common non-charitable form); public limited companies; and unincorporated voluntary organizations. In addition, new legislation in the UK in 2005 established a distinct legal form especially for social enterprise: the Community Interest Company (CIC). To date over 2500 CICs have been established. Elsewhere in the world, social entrepreneurship is found across a range of legal forms such as Social Co-operatives in Italy, the 501(c)(3) and L3C forms in the USA, the Section 25 Company in India, and the Sole Proprietorship Company in Ukraine that appoints a board member as the ‘owner’ rather than the original entrepreneur to ensure against mission drift. The range of options for social entrepreneurship incorporation in the UK and their attendant reporting requirements are set out in Table 1.

In the case of each form of incorporation different annual reporting and disclosure regulations apply including: annual report of audited financial accounts; CIC34 activity report; Trustees’ Report of charity objectives. Furthermore, social entrepreneurs have added two important elements to the landscape of regulated reporting: a quantitative social return on investment assessment (SROI) model; and a qualitative enhanced social audit report. Taken together these reporting models constitute a spectrum of reporting options that social entrepreneurs use strategically to enhance performance and accountability. Each is briefly described next: they are ordered in a sequence from those that focus on quantitative financial data to those that are more qualitative and focus on capturing social value creation. The logic of this sequencing is discussed further below in terms of Blended Value Accounting and its attendant conceptual logics.

**Annual report of audited financial accounts**

All socially entrepreneurial organizations (including charities) that are registered as companies are required to produce annual financial accounts and file them with Companies House. The accounts are usually audited (dependent on turnover) and typically include a balance sheet, a consolidated statement of financial activities (typically a profit and loss account), and a cash-flow statement. In addition, larger organizations may report on the financial statements with detailed notes including further information about voluntary income and grants (if appropriate), stakeholder investments, staff costs, and directors’ remuneration. Often the financial accounts are included as part of a larger, more descriptive, company annual report that can include details of the organization’s (positive) social interventions and sustainability practices.
Table 1
Social entrepreneurship: forms of incorporation and reporting requirements in the UK.

<table>
<thead>
<tr>
<th>Form of incorporation</th>
<th>Annual reporting requirements</th>
<th>Social entrepreneurship examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charity</td>
<td>Annual report to Charity Commission to include public benefit statement and consolidated financial accounts</td>
<td>Hackney Community Transport</td>
</tr>
<tr>
<td>Industrial and Provident Society (IPS)</td>
<td>Financial accounts to companies house (^a,b)</td>
<td>Baywind Energy Co-op.</td>
</tr>
<tr>
<td>Company limited by guarantee</td>
<td>Financial accounts to companies house (^c)</td>
<td>Oxfam</td>
</tr>
<tr>
<td>Company limited by shares</td>
<td>Financial accounts to companies house (^d)</td>
<td>Divine Chocolate Ltd.</td>
</tr>
<tr>
<td>Public limited company</td>
<td>Financial accounts to companies house (^e)</td>
<td>Cafedirect</td>
</tr>
<tr>
<td>Unincorporated voluntary organization</td>
<td>None</td>
<td>Oxford Fair Trade coalition</td>
</tr>
<tr>
<td>Community Interest Company (CIC)</td>
<td>Financial accounts + and CIC34 report on activities to companies house</td>
<td>Develop Your Child</td>
</tr>
</tbody>
</table>

\(^a\) There is some variation depending on turnover: see Table 2.
\(^b\) IPSs can also be charities and would then be required to submit a Trustees' Report as well as financial accounts.
\(^c\) Registered companies can submit unaudited financial accounts if they satisfy two or more of the following: (i) aggregate turnover must be £5.6 million net (£6.72 million gross) or less; (ii) the aggregate balance sheet total must be £2.8 million net (£3.36 million gross) or less; (iii) the aggregate average number of employees must be 50 or few.

Social return on investment (SROI)

The social return on investment (SROI) framework was first devised by the Roberts Enterprise Development Fund (Emerson, 1999, chap. 8, 2003; REDF, 2000) as an attempt to capture and monetize the full value creation of their employment services programmes in San Francisco. The objective was to develop a credible methodology for the financial calculation of the often unreported benefits of work integration activities that could then be set against programme investments to form a more holistic (and, therefore, realistic) cost-benefit analysis. More recently the methodology has been extended further by the New Economics Foundation (Nicholls, 2004b). The SROI model is in three parts: the first calculates the full Blended Value of a project (combining its enterprise/financial value creation and a monetized representation of its social impact value); the second establishes the financial investment in the project; the third then calculates the blended return on investment (combining the enterprise and social returns). In order to follow the SROI methodology effectively, a number of other issues must also be considered (Nicholls, 2004b, p. 11). First, the organizational boundaries must be set – this allows a clearer picture of the range of stakeholders to be established and the key social objectives to be identified (and helps identify the materiality of outcomes). Second, an ‘impact map’ should be drawn – this clarifies how impact is intended to be achieved. Typically, this process is conceptualized as linking inputs to outputs to outcomes to impacts. In this model, inputs represent the total costs of the project, outputs the simple quantitative effects (such as sales, number of jobs created, etc.), outcomes the direct and indirect changes in target stakeholders and their communities (improved education, better levels of health, longitudinal factors, etc.), and impacts the changes discounted by a ‘deadweight analysis’ (the extent to which outcomes would have happened without any interventions by the organization). Finally, appropriate indicators or financial proxies must be identified to capture the elements within the impact map and monetized values for them determined.

CIC34

The Community Interest Company legal form was introduced by the UK government with new legislation on July 1st 2005 (The Companies Act – Audit, Investigations and Community Enterprise – 2004). The primary policy objective was to provide a unique form of incorporation for social enterprises as a means of more cleanly identifying such organizations to potential customers and investors. Specifically with respect to the latter, CICs are permitted to offer equity (subject to an ‘assess lock’ that protects against take-over and, thus, secures the CIC’s public benefit focus) and (capped) dividends designed to attract new investment into the sector. CIC’s are required annually to submit to Companies House their financial accounts (the level of detail of which is dependent on their turnover) and a bespoke Community Interest Company Report (CIC34). The latter sets out their general activities, how they have consulted their stakeholders during the year, details of directors’ remuneration, as well as information about any transfer of assets, dividends offered, and interest paid. CICs are subject to the attention of a specific Regulator within Companies House. The reporting requirements of CICs mirror those of charities and are best described as ‘light touch’. To February 2009, over 2500 CICs have been registered in the UK. Of the 845 CICs that were registered by December 2007 and, therefore, were required to submit an annual report for 2007/8, 771 have so far sent returns to Companies House. This represents a good level of compliance (91%).

Enhanced social audit

In contrast to the ‘social’ reporting typically carried out by businesses as part of their Corporate Social Responsibility (CSR) activities that aims to addresses non-core organizational process issues and some of the externalities of strategic actions (Power, 2007), enhanced social audit in social sector organizations focuses on reporting progress
towards mission objectives within core activities. Such social audit reporting typically acts as a longitudinal assessment of internal performance and tends to use descriptive metrics – such as profiles of target populations or stakeholder characteristics – as well as some financial information. Such reports largely conform to Zadek's (1998) principles of social accountability. This audit information provides a narrative of particular actions and objectives and can be used to demonstrate progress over time. Social audit is usually qualitative in approach. This means that it focuses on impact measurement through accounting for specific – and, therefore, often partial – descriptive outcomes of strategic action. Such metrics are typically human in scale, looking at individual or community level changes or developments, and largely non-comparative. Qualitative metrics have an organizational focus, addressing the issue of 'what is it we do?' One of the most problematic areas for such metrics is defining the appropriate focus of measurement. For example, in one venture it may be a community account of the health effects of new wells sunk with developmental money, for another it may be the individual economic impact of providing shelter to the homeless. Clearly, such reporting is highly individualistic and rarely comparative.

Trustees' Report

All registered charities are required to file an annual Trustees' Report that sets out the organization's principal aims and objectives (and the progress made in fulfilling them during the past year) as well as its structure, governance and management arrangements (including a statement of the trustees' responsibilities). It may also include a brief financial review and a note of future plans and objectives. The level of reporting is determined by the turnover of the charity, with the smaller organizations only required to submit a short statement of their objectives and activities (see Table 2).

Case studies

Having established the range of social impact reporting practices available to social entrepreneurs, five short case studies are set out next to illustrate how social entrepreneurs are using social impact reporting strategically. The cases are sequenced to correspond to the previous section. Whilst new social impact reporting practices are emerging across the world (indeed, SROI originated in the USA), the UK represents, perhaps, the most developed social report-

<table>
<thead>
<tr>
<th>Income in the financial period reported upon</th>
<th>Part A</th>
<th>Part B</th>
<th>Part C</th>
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<tbody>
<tr>
<td></td>
<td>Charity Information (basic register information/annual update)</td>
<td>Reporting serious incidents declaration</td>
<td>Financial information</td>
</tr>
<tr>
<td>£10 K or less</td>
<td>*</td>
<td></td>
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<td>&gt;£10 K–£25 K</td>
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<td>&gt;£25 K–£500 K</td>
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<td>&gt;£500 K–£1 M</td>
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<td>&gt;£1 million</td>
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<tr>
<th>Summary information</th>
<th>Cafe'direct (<a href="http://www.cafedirect.co.uk">www.cafedirect.co.uk</a>)</th>
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| Annual report of audited financial accounts: Cafe'direct was founded in 1991 by four UK-based charities: Equal Exchange UK; Traidcraft; Twin; and Oxfam. Since then, it has grown into the UK's largest Fair Trade only company. The founders' aim was to get small producers a better price for their crops and greater opportunities for their communities. Cafe'direct's range has expanded from a single coffee product in 1991 to a portfolio of over twenty products, including gourmet coffees, speciality teas, and drinking chocolate. Its turnover in 2008 was £22.3 million with pre-tax profits of £901,000. Cafe'direct works with 39 grower organizations across thirteen developing countries and engages with 260,000 farmers to improve the lives of more than 1.4 million people. Since 2000, Cafe'direct has invested more than £3.3 million of its profits directly into the businesses and communities of growers paying more than £13 million over and above market prices for raw materials. Cafe'direct was financially supported by its founders for over twelve years and initially operated as a charity. However, with sales growth averaging between 20% and 30% per annum, the company's need for working capital and new investment in marketing increased rapidly. In 2002/2003, Cafe'direct's board explored the possibility of raising venture capital, but some of the founders were concerned about engaging with a venture capitalist. In 2003, the company decided to raise capital through an alternative share issue in order to invest in its brand, repay borrowings, fund working capital, and invest in computer systems. Having changed its form of incorporation to a PLC, Cafe'direct successfully raised £5 million of equity (at £1 per share) from 4500 new investors in the first half of 2004. The share issue was oversubscribed. The dividend for 2008 was set at 2p per share.

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1 This parallels the development of social investment which is also most advanced in the UK. In both cases the involvement of an engaged and sympathetic government for over a decade has been an important contributory factor (OTS, 2006).
As a PLC, Cafédirect is required to file detailed financial accounts with Companies House annually. The 2007 annual report was carefully structured to reflect the mission objectives of the social enterprise and its market positioning: financial results are discussed only after a long section devoted to producer stories and details of the producer partnership programme’s achievements and expenses (£1.4 million of profits spent on the programme). Before the audited financial statements, the remainder of the annual report focused on product quality, environmental stewardship, outreach and education activities, accountability and governance, and producer networks. In the narrative section of the annual report only 8 pages out of 53 are devoted to discussing the business activities of Cafédirect directly and only 39 out of the total of the 84 pages of the full report concern financial disclosure. Despite being a social enterprise with shareholders, the annual report sends a clear message that the organization’s social mission objectives are a priority above its financial achievements.

SROI: Wise Group (www.thewisegroup.co.uk)

The Wise Group is a trading charity that aims to provide training and job opportunities for the long-term unemployed by building intermediate labour markets (ILMs). It was formed in 1983 in Glasgow originally as an energy conservation initiative, that later diversified into employment and training services across a range of sectors including childcare, recycling, office work and call centres. Since 1983 the Group has helped over 28,000 people into work. In 2008 it created employment opportunities for 3337 people, its highest ever figure in a single year. The Wise Group currently has a staff of 420 and operates in Scotland and the North East of England. Much of its work is done in partnership with other organizations and agencies, including the Scottish Government, the Energy Saving Trust, and the Northern Rock Foundation. It turnover in 2008 was £21 million.

In accordance with charity law, the Wise Group publishes an annual Trustees’ Report and full financial accounts. However, it also aims for a range of further social impact disclosures and reporting. In 2004 the Group published its first detailed analysis of its social impact – ‘Community Impact Statistics’ – in terms of jobs and training, community and resident impact, and the financial value creation of its investment in communities, additional ILM wages, the reduction in benefit claims, and energy savings. In 2007, the Wise Group published its first social return on investment report (SROI) as part of a pilot programme managed by Forth Sector and funded by the European Union EQUAL programme together with the Communities Scotland’s Social Economy Unit. The aim was to test how far SROI methodology could be used to measure and communicate the full range of impacts and value creation in social sector projects. The SROI analysis focused on one specific project based in Cadder – north of Glasgow – that aimed to combine environmental regeneration of run down housing stock with employment creation in the local economy. The research demonstrated that a range of monetizable impacts were created including: increased training and employability opportunities; reduced state welfare spending; increased income tax; reduced maintenance costs of improved areas; improved sustainability of regeneration projects. Twelve financial indicators were used to measure and report on these impacts. These included: welfare benefit savings from temporary employment; increased income for the participants; increased employability of those not entering employment; increased future earning potential arising from qualifications achieved; drugs and mental health outcomes. The SROI analysis suggested that for every £1 spent, £4.65 had been realized in added value and that this equated to £14,989 per participant. The Wise Group published its findings in a SROI report that is publicly available.²

CIC34: Develop Your Child (www.developyourchild.co.uk)

Originally founded in 2002 as Rebus B2B Ltd. by Alan Wilson, Develop Your Child (DYC) was incorporated as a Community Interest Company (CIC) in 2006. The organization provides a range of services to support families in helping develop young people to reach their full potential through family coaching that improves communication between parents and their children. The organization also offers supporting literature and video materials. Courses include one-to-one parent coaching and step-by-step courses that aim to empower parents via ‘positive parenting’, to assist children in maximizing their potential, to improve intra-family communication, and to increase children’s self-esteem and confidence. These services are designed to be delivered by teachers, educationalists, youth leaders, or family support workers and all actively involve parents and/or carers. DYC is based in Kent, UK, and has a local staff of five coaches and a network of franchized Associates around the world that use its models (in France, New Zealand, Singapore, Sweden, and USA). The CIC has created a separate charity – Family Matters (originally the Develop Your Child Foundation) – that engages with families in the community.

The majority of DYC’s services and materials are offered free to its clients, since it gets most of its income from public sector contracts to provide parenting services. It is included in the UK government’s Commissioners’ Toolkit database that provides a list of preferred service providers to every UK local authority.

To date DYC has filed one set of annual reports to February 2008. These provide financial information in terms of an abbreviated balance sheet (DYC’s income is below the threshold that requires full financial disclosure) and a CIC 34 report. The latter gives details of services offered and mission objectives (‘to create personal empowerment’, ‘to change the relationships within families’) as well as underlining a commitment to stakeholder consultation after every course offered (‘we are continually reviewing and revising our material from the feedback we got during and on completion of our courses’). The latter also functions as a statement of quality control. It is recorded that

the CIC’s directors did not take any remuneration during the year and that there were no issues concerning assets or share capital. DYC uses the CIC34 to establish its legitimacy as a CIC both in terms of the information given (emphasising how it delivers upon its social mission in an enterprising manner) and in the act of filing the form itself (by publicly conforming to the CIC regulations). This reflects one of the policy objectives set for CICs, namely that the legal form would act as a self-identifying brand reflecting one of the policy objectives set for CICs, namely that the legal form would act as a self-identifying brand to distinguish social enterprises from other organizations.

**Enhanced social audit: Furniture Resource Centre Group**

(www.frcgroup.co.uk)

The Furniture Resource Centre (FRC) Group is a trading charity that aims to use business solutions to address social and environmental problems. The group consists of four related businesses: a furnishing and removals business that provides goods and services to thousands of people throughout the UK (Furniture Resource Centre); a furniture retailer that supplies goods to low income families in Merseyside (Revive); a waste management and recycling business that serves over 100,000 households a year (Bulky Bob’s); a consultancy and training organization that helps others learn from FRC Group’s experiences and those of leading social businesses throughout the world (the Cat’s Pyjamas). In addition to providing socially and environmentally positive goods and services, FRC Group also adds further value by acting as a work integration social enterprise offering a salary and training to the long-term unemployed.

FRC Group was originally set up in 1987 as a charity at the request of the churches in Liverpool. It aimed to provide furniture to families who had accommodation, but little furniture. Initially it was reliant on grant income. However, in the early 1990s the organization moved from a charity model to one that more closely resembled a traditional company creating and selling products and services into the competitive market. In 1994, a one-stop commercial furnishing service for registered social landlords was launched and by 2004 a reliance on grant income had all but been phased out.

FRC Group’s management is explicit about its strategic focus on balancing financial and social value creation and the tensions this can create. The result is that overall profitability is often reduced by the costs of its social objectives (for example, the group’s ‘University for the People’, through which its staff can access a range of in-work and out-of-work courses and support activities). The former CEO, Liam Black, commented on the need to develop a ‘shared vocabulary and management culture that is very much focused on trying to make sense of this perpetual balancing act’ (Black, 2003). An important element in this strategic balance has been paying close attention to reporting social impact. This has been driven by a sense of what Black has called the ‘moral obligation’ of social enterprises to demonstrate their specific value-added contributions given their particular advantages (for example, access to grants) compared to the conventional business with which they often compete. FRC Group also sees the process of social ‘auditing’ as a quality management system for their operations, raising issues and exposing mission failures.

In accordance with charity law, FRC Group publishes an annual Trustees’ Report and full financial statements, but goes significantly beyond this in its reporting and disclosure practices. Each year the group publishes a detailed sustainability report that covers not only commercial performance (tellingly called ‘our business’), but also human resource issues (‘our people’), and environmental performance (‘our environmental impact’). FRC Group’s 2005/6 Sustainability Report was shortlisted in ACCA’s UK Awards for Sustainability Reporting 2006. The 2007/8 annual report also included a SROI assessment to measure and report the full added value generated by the Revive furniture store. This analysis calculated that every £1 spent in the store produced a social return of £2.25 by providing lower cost or discounted furniture to low-income households that otherwise would rely upon more expensive catalogue or credit options to purchase goods.

In addition, since 2001, FRC Group has published an annual enhanced social audit report that – amongst other measures – canvasses a range of internal and external stakeholder assessments of its success in meeting mission objectives. The group makes a particular point of testing the impact of its core values – ‘bravery’, ‘creativity’, ‘passion’, ‘professionalism’ – as part of its reporting. Initially, this report was titled ‘We Do Good Things: Don’t We?’ deliberately to challenge the legitimacy surplus accorded to it as a charity (see above). More recently, FRC Group has introduced a new form of internal performance monitoring and reporting in the form of an annual survey titled – in typical style – ‘How’s It Going? (HiG)’. This aims to provide a mechanism for staff to discuss their individual training and career progress. The group’s Social Audit Report won best Social Report at the ACCA Social Audit Reporting Awards in February 2005.

**Trustees’ Report: Hackney Community Transport**

(www.hctgroup.org)

Hackney Community Transport (HCT) was founded in 1982 by a number of local community groups in the London Borough of Hackney with the aim of providing affordable community transport services for the use of local voluntary organizations, charities, and community groups. Initially HCT offered community transport removals, Dial-A-Ride, and minibus services to the local disabled population (as well as others). However, in 2001, HCT secured the contract to operate the 153 London red bus route which runs from Islington to Homerton Hospital for Transport for London. In 2003, HCT added the 388 and 394 London red bus routes. In 2004, the organization expanded its operations to the neighbouring London Borough of Waltham Forest when it was contracted to deliver five hundred local special needs children to school and back each day. 2005 saw further expansion, this time outside London, when HCT started running the My Bus school routes service in and around Wakefield, West Yorkshire. In 2006, HCT merged with Lambeth and Southwark Community Transport to access bus routes south of the Thames for
the first time and added the W13 red bus service between Leytonstone bus station and Woodford Wells under contract. The 816 red bus service was added the following year.

HCT has evolved into a complicated hybrid structure. HCT Group is the holding company for all operations. It is a company limited by guarantee (and, therefore, has no shareholders), which is registered in England and Wales. The company is also a registered charity. HCT Group owns a limited company – Hackney Community Transport Limited – that, in turn, owns all of the share capital in a trading subsidiary called CT Plus. CT Plus runs the majority of transport and training services of the Group and owns the CT Plus trading brand. It became a Community Interest Company (CIC) in 2007. CT Plus also owns the share capital in a further subsidiary CT Plus (Yorkshire) C.I.C. that runs all the services offered in Yorkshire.

In accordance with charity law, HCT files an annual Trustees’ Report and full financial statements. However, it uses its reporting to underline its organizational culture as a commercially competitive social enterprise with the emphasis very much on its financial performance with little additional information about its social impact beyond stating its principle aims and objectives and recording key output measures (‘increase the provision of red bus services in London’).

The case studies suggest that social entrepreneurs use social impact reporting creatively to enhance their performance in terms of both internal and external perspectives. Thus, Cafédirect subverts the annual report of audited financial accounts format to stress its social mission impacts in the context of a trading PLC model. This approach balances a self-legitimation project (social impact reporting gains legitimacy from integration with audited financial accounts) with a wider objective to demonstrate that a business can also trade for a social purpose. This is strategically designed to appeal to their core customers and investors for whom the market-driven model of Fair Trade is particularly appealing (Nicholls & Opal, 2005). With HCT Group the situation is reversed. In this case, the Trustees’ Report is subverted by detailed financial accounts to suggest that HCT is, above all, a serious and credible business. The strategic objective here is to present the Group as credible to public sector transport services procurement officers who are conditioned to contract with the private sector. The Wise Group and DYC both use social impact reporting as a mechanism to demonstrate their performance to other key institutional players (both resource providers and regulators) and also as a project to establish distinct self-identity as a social enterprise and CIC respectively. This has an important signalling value outside and inside the organizations. Finally, FRC Group focuses specifically on performance enhancement via stakeholder engagement in its reporting practices. This constitutes the most challenging of all the approaches since it requires all operational systems to be tested and discussed and the resultant data made public and actioned. This resource intensive approach is only possible in the context of an organizational culture that prioritizes ‘bravery’ and ‘creativity’.

**Blended Value Accounting**

Emerson (2003) first coined the notion of Blended Value as a conceptualization of the combination of financial and social outputs and impacts generated by all organizations. The logic of a Blended Value analysis suggests that, first, all organizations create both financial and social value, and that, second, the two types of value creation are intrinsically connected rather than being in opposition in a zero sum equation (i.e. to generate more social value an organization must sacrifice its financial performance). Emerson suggested that such zero sum analysis allowed corporations to ignore their wider impacts (for example environmental externalities). Conversely, it also reduced the incentives for social purpose organizations to innovate, improve their social impacts, and learn positive lessons from competitive market models (for example, in terms of resource strategies). As part of the Blended Value model, Emerson suggested that organizations needed to develop more holistic accounting practices that reflected their full value creation (and destruction) activities. Such an approach has been operationalized by Generation Investment Management and can also be seen in some of the recommendations of the Enhanced Analytics Initiative.3

Building on Emerson, the range of social impact reporting practices detailed above can be conceptualized as a spectrum of disclosure logics constituting a Blended Value Accounting that is used by social entrepreneurs to access resources and realize organizational mission objectives with key stakeholders. Blended Value Accounting captures an important element of the experimentation and learning across time demonstrated by social entrepreneurs as they have combined, adapted, and developed new reporting practices and then tested the strategic value of each option against their mission objectives. Blended Value Accounting approaches stimulate and encourage innovation by not imposing a prescriptive and simple solution to capturing multiple values for multiple stakeholders. Rather it enables different combinations of practices to be explored and tested over time. This is an ongoing project: for example, HCT Group, having proved successful in using its disclosure practices to underline its reputation as ‘business-like’, is now looking to develop an enhanced social audit report with which it can access new resources from social investors.

Blended Value Accounting can be concretized within a spectrum of reporting practices that do not represent a prescriptive set of logics or a static overall reporting schema, but, rather, a conceptual space in which reporting innovations that allow experimentation and new learning can emerge (see Fig. 1). Reflecting Emerson (2003), this spectrum has as its two poles reporting quantitative financial value creation and reporting more qualitative social value creation. The Blended Value Accounting spectrum presents a range of social impact reporting options located between financial and social accounting as distinct sets of practices that can be combined to capture the holistic complexity of organizational outputs and impacts. This spec-

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trum also positions these reporting practices in terms of the three conceptualizations of the functions of disclosure noted above (the rationalist/positivist, critical theorist, and the interpretive/democratic).

As was noted above, these three conceptualizations correspond to different strategic objectives for social entrepreneurs: positivist reporting practices aim to enhance operational performance and drive innovation; critical theorist practices support resource acquisition; interpretive reporting builds and maintains organizational legitimacy (both cognitive and normative: Suchman, 1995). It has already been noted that social entrepreneurship is characterized by a range of market oriented logics that drive relentless performance improvement and enhanced accountabilities. Social entrepreneurs map Blended Value Accounting approaches against these two strategic objectives and the three conceptual manifestations of disclosure and audit to determine the strategic opportunities they offer (see Table 3). For example, enhanced social audit has a strategic value in the positivistic reporting context in order to improve stakeholder accountability. Similarly, social return on investment has a strategic role to play in the critical theorist conceptualization of reporting as control mechanism – namely it supports resource seeking from powerful resource holders such as foundations or venture philanthropists. Finally, filing a CIC34 reports fulfils a strategic requirement to demonstrate community benefit to key stakeholders (here the state regulator) within the interpretive theoretical tradition of democratic accountability.

In this way social entrepreneurs interpret the Blended Value Accounting spectrum according to the strategic as well as regulatory contexts in which they operate. This can lead to the formation of various ‘dashboards’ or more heuristic combinations of metrics that aim to provide an agreed set of credible and comparable social performance data to address multiple strategic ends and various audiences (Acumen, 2006; Cunningham & Harris, 2001; Kendall & Knapp, 2000). Conceptualizing emergent reporting practices as elements of strategic innovation to support social mission objectives is a striking feature of social entrepreneurship. Such ‘institutional entrepreneurship’ (e.g. Lawrence & Phillips, 2004) sees social entrepreneurs manipulating institutional structures and narratives to create new legitimacies and logics of action. Such action is also having a wider influence as part of a new reporting landscape in the social sector populated by intermediary organizations such as New Philanthropy Capital and the New Economics Foundation. The UK government is also exploring using social return on investment to assess impact across a range of departments including health.

A final, and significant, strategic objective of the new social impact reporting is organizational self-legitimation. It is clear that the drive publicly to address the question set itself by Furniture Resource Centre Group – ‘we do good things, don’t we?’ – represents a powerful element within the socially entrepreneurial mindset. It is a manifestation of a market oriented and competitive approach that both drives operational improvement in social entrepreneurship and demands that it be put to the public test. Thus, the ‘moral vocabulary’ of Blended Value Accounting in practice combines two modes of control – managerial and democratic (Drori, 2006) – in one logic of governance. Socially entrepreneurial organizations aim simultaneously to improve the existing provision of public goods and to demonstrate their performance impacts to the world at large by developing a meaningful and relevant reporting vocabulary.

The conceptual logic here has striking parallels with Habermassian ‘communicative rationality’. Habermas (1981) argued – in opposition to Foucault – that human-kind naturally strives to achieve a consensus on the common rules of discourse to create a democratic and transparent dialogue leading to ‘emancipation’ via the innate human capacity to deliberate and pursue rational interests. This theory distinguishes itself from traditional rationalist views of the world by suggesting that rationality itself is based on interpersonal and interpretive communication not external structural references. Habermas believed that humanity was capable of developing a more just and equal global order via such discourse ethics. From this perspective, social entrepreneurs use social impact reporting practices strategically to build a space for critical

Table 3
Strategic functions of reporting in social entrepreneurship.

<table>
<thead>
<tr>
<th>Strategic function</th>
<th>Internal command and control</th>
<th>Stakeholder accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positivist</td>
<td>Performance enhancement</td>
<td>Enhanced social audit</td>
</tr>
<tr>
<td></td>
<td>Audited financial accounts</td>
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<td></td>
<td>Social return on investment</td>
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<tr>
<td>Critical theorist</td>
<td>Resource acquisition</td>
<td>Social return on investment</td>
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<td>Interpretive</td>
<td>Organizational legitimacy</td>
<td>Trustees’ Report CIC34</td>
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<td>Enhanced social audit</td>
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and dynamic communication processes in which innovative types of social and environmental value creation can be negotiated and actioned to better represent the ‘life-world’ (see also Power & Laughlin, 1996). This process provides a conceptual unity to the Blended Value Accounting spectrum and explains the ease with which social entrepreneurs exploit (and hybridize) multiple organizational forms and types of disclosure: legal form and reporting practices are pliable and serve the larger mission rather than the other way around.

Conclusion

The research presented here has provided a theoretical and empirical analysis of social impact reporting in social entrepreneurship for the first time. It has suggested that social entrepreneurs use social impact reporting in a number of strategic ways to enhance their performance, access resources, and build organizational legitimacy. A new conceptual model of social impact reporting has been established – the Blended Value Accounting spectrum – and some further theoretical issues explored. In conclusion, some of the wider implications of these social impact reporting innovations are considered.

First, reporting social impact represents a multi-dimensional aggregation of perspectives (often emergent, developing, and changing), each of which can be fluid, contingent, and contested (for analogous interpretive issues in public sector performance measurement see, for example, Bovaird & Loefller, 2003; Meyer & Scott, 1992). Power (2007) noted that all organizations exist within a ‘reputation constellation’ – namely the ‘conceptual, legal and ethical dynamic in which the boundary between organizations, their environments, and society as a whole is negotiated’ (Power, 2007, p. 133). From this perspective there have been major changes in recent times for social purpose organizations with new demands being placed upon them by government, resource providers, and society more broadly. As has already been noted, Blended Value Accounting offers a dynamic and multi-layered space for negotiating reporting practices, but it does not constitute an agreed calculative mechanism. As a consequence, the interpretive context of a given stakeholder’s perspective on social impact performance can directly affect the mode of calculation and this may require a recalibration of reporting practice. For example, government procurement officers can find it difficult to interpret social enterprise accounts that allocate profit to their social mission objectives. When judged from standard accounting perspectives many successful social enterprises, therefore, appear to be barely profitable and, consequently, risky contractual partners compared with other private sector companies.

Second, whilst the account of the Blended Value Accounting actions of social entrepreneurs has been taken here to constitute a largely positive public good in a normative sense, there may, however, be a dark side to these reporting innovations. Dart (2004) argued that normative pressures from the dominant logics of business have lead many social entrepreneurs to borrow and adapt organizational models from the commercial sector rather than develop their own unique forms (particularly in the case of social enterprises). The notion that the imposition of social impact disclosure on social entrepreneurship represents the coercive effect of external forces is consistent with other analyses of the isomorphic pressures inherent in institutional systems that influence measures of performance to be configured to support external perceptions of legitimacy rather than to represent a source of organizational innovation, learning, or effectiveness (Dart, 2004; DiMaggio & Anheier, 1990; DiMaggio & Powell, 1983). As a result, they often reflect larger power structures and normative social pressures rather than internal processes (Brunsson & Olsen, 1993; Meyer & Rowan, 1977; Suchman, 1995). This has, in part, been the product of the institutional logic of the competitive, information rich, market as the best driver of organizational efficiency and accountability, irrespective of sectoral differences (Bevan & Hood, 2006; Lee 2004; Offer, 2001; though see LeGrand, 2003, for a more nuanced approach). In a different, but connected, tradition of analysis, it has also been widely argued that metrics and audit regimes are the product of a positivist conception of management control, reflecting socially constructed power relations and regulatory fashion, rather than a means of capturing a rationalist ‘reality’ (Power, 1994a, 1994b; Neely, 1998; LeGrand, 2003). Established critiques of the sometimes dysfunctional role of audit and performance metrics in the public sector (e.g. Power, 1994a, 1994b, 2003; Rahaman, Lawrence, & Roper, 2004; Bevan & Hood, 2006) and reflections on the chequered history of ‘social’ accounting in the private sector (see Gray, 2002, for a useful review) underline the limitations of conventional measurement processes in capturing social value.

One interpretation of the new social impact metrics, then, is as an example of the creeping ‘financialization’ of society. Some see this as part of a larger process of the ‘privatization’ of the social that is also evidenced in the quasi-market models now commonly used to distribute social goods in many countries (Osbourne & Gaebler, 1992; LeGrand & Bartlett, 1993; Walsh, 1995; Bovaird, 2006). This take on social entrepreneurs’ activity corresponds to a broader set of democratic concerns around the increasing normative value given to business and enterprise as transformative cultural objects within the social sector (e.g. Collier, 2007; Bishop & Green, 2008; Moyo, 2009). The suggestion that by adopting business practices the social sector can significantly improve its performance is controversial but is clearly evident in calls for a significant shift in the reporting demands put on the sector voiced by government and others. The logic of business applied to the social demands clear representation of performance (and return on investment) in comparable financial terms. Yet, whilst comparability of this sort may look attractive to some investors or donors, the Blended Value Accounting spectrum reminds us that a degree of bespoke reporting is required if social impacts are to be fully expressed within their appropriate context. The failure of conventional accounting to capture and value social and environmental goods to date further demonstrates the problematic nature of this approach. As a consequence,
there is a danger that the equivalent of Lukes’ (1974) third dimension of power may be enacted in social impact reporting. Namely, that the range of social impact reporting options may be limited by a larger ‘manipulation of desires’ or preference shaping by powerful institutional logics (and the self-interested elites that use them as tools of domination) that aim to control the values and ideologies that frame and shape discourses.

Despite these caveats, the Blended Value Accounting approach appears to have a value beyond social entrepreneurship alone. The Blended Value Accounting spectrum explicitly suggests that there are a range of reporting practices available to managers that can be used creatively and adaptively in different contexts and to different strategic ends. From this perspective, the function and value of such reporting is fluid, contingent, and dynamic: but not passive or unstrategic. This emphasis on diversity and contingency is in contrast to the institutionalization of many reporting practices across all three sectors of society that are static and resistant to reform. Given the recent history of standardized accounting systems proving unfit for purpose as risk management/control systems in finance either at the micro- (the Enron scandal of 2001) or macro-levels (the current global financial crisis), introducing increased diversity of reporting systems into organizations seems an urgent objective (Power, 2007). The use of SROI by corporations such as Philips in the Netherlands demonstrates the broader applications of reporting practices first developed in the social sector.

The discussion developed above has attempted to conceptualize the new landscape of social impact reporting being pioneered by social entrepreneurs in its institutional and strategic context for the first time. Inevitably this has only been a partial account, limited most notably by the UK focus in terms of case data. However, the theoretical observations drawn from the cases have wider international relevance: Blended Value Accounting methodologies are evident across the world. For example, SROI originated in the USA and continues to be used and refined there (Emerson, 1999, chap. 8), as well as in continental Europe (Scholten & Franssen, 2008). In Africa, Kickstart has developed a range of bespoke reporting practices to capture its social and environmental performance that include detailed marketing surveys of the customers for its irrigation products (Fisher, 2009). In Asia, Aravind Hospital publishes highly detailed qualitative and quantitative reports on the performance of its eye hospitals and associated projects that take the standard corporate annual report form and develop it to include discussions of the organization’s spiritual and cultural objectives and activities. In Latin America, a social investment fund, NESST, publishes case studies of its investees both to explore and demonstrate its impact and to act as good practice teaching and learning tools for the wider social enterprise community (Davis, Etchart, Jara, & Milder, 2003).

Other limitations include the use of case study data and early stage theorization that clearly needs further refining and empirical testing. Despite these limitations, the analysis here suggests a number of future lines of research. For example, a larger empirical survey of the social impact reporting practices of one type of social entrepreneurship could test some of the assertions made here concerning the strategic use of Blended Value Accounting. The obvious starting point here is Community Interest Companies since they represent a large – but not huge – sample and their reporting data is relatively easy to identify, isolate, and analyse. It would also be valuable to use a range of theoretical approaches to conceptualize further social impact reporting, perhaps in terms of its broader organizational functions and institutional settings. This work could broaden the empirical base beyond the UK. Finally, qualitative data could be collected from social entrepreneurs and their key stakeholders to allow a more fine tuned analysis of the role and ethos of social impact reporting in context.

Despite these limitations, it is hoped that the research presented here constitutes the start of a larger project to both understand the field-level reality of social impact reporting innovation and to learn wider lessons from the social entrepreneurs that are pushing forward the boundaries of such action. The ‘moral obligation’ to use reporting practices strategically to drive improved internal performance and better external accountability surely applies to all organizations social, commercial, and public sector.

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