Performance Measurements for Social Enterprises
With focus on Small and Medium sized Social Enterprises

Master’s thesis within Strategic Entrepreneurship
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Jönköping May 2015
Abstract

As the field of Social Enterprises has strongly grown over two decades, the importance of Social Enterprises for the society has also grown and still developing, more and more to a third economic segment between the private and public economy.

Within this study we explain how “Small and Medium sized Social Enterprises” (SMSEs) can face the increasing pressure to measure and demonstrate their impact to society and their stakeholders. We especially address the limitations in skill and resource endowment, which SMSEs most commonly face.

We execute this research based on a practical and outcome-oriented method and therefore apply an overall pragmatic research philosophy. The research is further designed around a narrative strategy, with an exploratory mono method cross-sectional study. For the collection of empirical data, six semi-structured interviews were conducted with (Social) Entrepreneurs and their stakeholders.

This study finds a language barrier between SMSEs and their commercial stakeholders, caused by low willingness from the Social Entrepreneurs’ side to adapt to a commercial business language. The findings of this study further imply that SMSEs are capable of using surveys to measure their performance quantitatively, in terms of in- and output. More importantly, our results suggest that these measurements, completed with additional “soft” measurements to “qualified narratives”, are sufficient to prove the SMSEs’ performance to their stakeholders.

Finally, this study takes up an existing contingency model and enriches it with the revealed discoveries, to a more comprehensive measurement approach for SMSEs. It thereby contributes to the field of Social Enterprises and lays valuable foundations for further research.
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I Introduction

1.1 Background

The term Performance Measurements is something that still does not fit in the world of Social Enterprises (Arena, Azzone, & Bengo, 2014; Bugg-Levine, Kogut, & Kulatilaka, 2012; Chell, 2007; Dees, 1998). It seems that the development from being purely philanthropic to being more commercial has left behind important requirements (Dees, 1998). Social Enterprises that are not able to provide measurements that are required by investors, face the shortcoming of financial resources. In fact, Social Enterprises lack the capability of measuring their performance and struggle to enter or survive in commercial markets. Donations for purely philanthropic companies have clear instructions and restrictions for where and how to use the money. On the other hand, Social Enterprises for example, can freely use commercial funding such as market-rate capital. However in order to receive such investments, commercial investors, such as banks, require accurate performance figures, which is where Social Enterprises lack experiences and knowledge.

First attempts of standardized performance measurements, such as a contingency framework, a multidimensional controlling model or just the SROI (Social Return On Investment) have been made in the literature. However, these rather give raw suggestions for how Social Enterprises could make use of these Performance Measurements, than silver bullets of how to implement them. Additionally the terminology of the models, like cash flows and net value, do often not (yet) fit the language of Social Enterprises and are therefore not suitable for Small and Medium sized Social Enterprises (SMSEs).

Indeed, it can be extracted from the literature, that Small and Medium sized Social Enterprise (SMSE) fail to or struggle with measuring their performance. The reasons therefore are manifold, whereby complexity, stakeholders and fundamental characteristics of SMSE play a crucial role (Ebrahim & Rangan, 2010; Millar & Hall, 2013). Finding new ways of solving these issues becomes more important every day, since the importance of performance measurement by social enterprises is growing significantly (Straub, Koopman, & van Mossel, 2010). In the following we will line out some of the reasons why SMSEs do not measure their performance and how they could benefit from this, in case they committed themselves to the procedure of measuring performance.

1.1.1 Attitude of Small and Medium sized Social Enterprises (SMSEs) towards measuring performance

One of the reasons, why SMSE do not measure their performance or struggle with this task was found by Millar and Hall (2013) who states that in the perception of a SMSE measuring performance is seen as an unnecessary and costly burden (Bull, 2007). The general scarcity of resources, with which SMSEs mostly struggle, amplifies this perception.

Millar and Hall (2013) try to explain this mind-set of some SMSEs by the fact that many founders do not appreciate if the social impact, which a SMSE aims for, is measured in financial terms. Millar and Hall (2013) further argue that the main performance of SMSE is focused around “soft” outcomes such as inducing an increase in a person’s self-esteem or general well being. These cannot easily be operationalized in quantifiable terms.

Research of Arvidson, Lyon, McKay and Moro (2010) precedes one step ahead and claims that the measurement of SMSE’s performance in quantifiable or financial terms would, over a mid-term period, substitute the social evaluation in terms of “soft” measures. Arvid-
son (2010) concludes that the fear of social entrepreneurs, of losing their social focus, is one more reason why many SMSE do not want to measure their performance.

A study evaluating the U.S. market further supports the performance measurement opponents, as it states that the most funding decisions are less made on a basis of a company’s performance data and more on the funder’s perception of the reputation of the company (Barraket & Yousefpour, 2013). On the other hand the literature agree that in order to build up a reputation, legitimacy must be built up and this could only be done by proving performance (Barraket & Yousefpour, 2013; Bagnoli & Megali, 2011; Bridgstock, Fiona, Mustafa & Ahu, 2010; Arena et al., 2014; Perrini, Vurro, & Costanzo, 2010).

1.1.2 Capability of Small and Medium sized Social Enterprises (SMSEs) to measure performance

Another reason, why SMSE struggle to measure their performance is that they mostly have a lack of capabilities and resources to measure their performance.

The reasons for these shortcomings in capabilities and resources are explained by Gimmon and Spiro (2013) with the issue that mobilizing human capital is a very onerous task for SMSEs. This argumentation is to a great extent in accordance to the research of Hynes (2009). Hynes (2009) further extracts the reasons, why social entrepreneurs struggle to acquire human capital. He reasons this with their lack of financial resources and along coming inabilities to guarantee job security or provide attractive salaries to their employees.

Due to the issues with the mobilization of human capital, the staff of SMSEs, often consists of volunteer workers, whose education level and skillset widely ranges from a low to a high level. The shortage of human capital does also lead to a higher concentration of workforce on tasks related to the “core concerns” of SMSEs - the creation of social impact. This actually results in less staff time committed to other supporting tasks, such as the measurement of performance (Barraket & Yousefpour, 2013; Bull, 2007).

Given the complexity within the measurement of performance of SMSEs and the shortcomings in human capital, it can be understood, why performance measurement and their communication is widely neglected among Social Enterprises (Barraket & Yousefpour, 2013; Bull, 2007).

1.1.3 Performance communication of Small and Medium sized Social Enterprises (SMSEs) to internal stakeholders

The internal communication of the SMSE’s performance is a vital element of the human resource politics, whereas it helps to motivate the employees. In order to give them a perception, the measurement of performance is highly necessary in order to be transparent about the extent their mostly underpaid or voluntary work contributes to change making of the company (Bridgstock et al., 2010).

A systematic approach of performance measurements can also be used in order to organize employees and allocate the limited human capital in the most efficient way and on the other hand, to support management decisions with necessary information (Arena et al., 2014).

Barraket and Yousefpour (2013) and Millar and Hall (2013) further line out that performance measurements are necessary to foster internal organizational learning. For example, the social impact or the effectiveness of an investment can only be evaluated, if a company measures the investment’s social or financial performance over time.
Without these measurements, SMSEs could only to a limited extent argue towards external stakeholders and funders, why they should support the company or invest further.

1.1.4 Performance communication of Small and Medium sized Social Enterprises (SMSEs) to external stakeholders

SMSEs also need to evidence their social performance and ensure accountability towards a complex range of external stakeholders (Arena et al., 2014). They are normally accountable for their actions and in general less financial independent, as they are often rated low to medium in terms of organisational and financial capacity. Thus SMSEs have a great need for rounded measurements to communicate their performance to external stakeholders (Meadows & Pike, 2010).

The main target of the external communication of performance measurements is building external legitimacy, for example by meeting funders compliance standards (Barraket & Yousefpour, 2013). Millar and Hall (2013) argues further that external legitimacy is also the first step for a SMSE in order to build up reputation and to become more attractive for future funders or skilled employees.

To achieve this, however a SMSE has to be able to effectively communicate the aspects of vision, strategy and performance to external stakeholders, in fact however, most SMSE lack professional tools for internal and external communication of their performance (Bridgstock et al., 2010; Perrini et al., 2010).

The complex range of external stakeholders saturated within the private and public market makes the task to measure performance in a sensitive way even more demanding, particularly as private and public external stakeholders often require different indicator measurements.

1.1.5 Position of Small and Medium sized Social Enterprises (SMSEs) within the economy

The requirements for SMSEs to operate in the private sector, such as being efficient in processes and aware of performance, are often still at the level of the public sector. Despite of lacking these capabilities, they have to operate and attract funding in the private market. This causes implication for SMSEs that fail to attract financial sources in this market. The policies of the support systems of donators for example, do often not see hybrid social enterprises as entitled for support, because of their possibility to earn revenue in the private side of the economy (Hynes, 2009).

The problem however, is to find new ways to attract funding such as market-rate capital from the commercial market rather than convincing donators. To support this, donations are often viewed as weak financial sources and not in line with the current perception of SEs (Dees, 1998; Smith, Cronley & Barr, 2012; Chell, 2007). Donations will only slightly contribute to a more sustainable social enterprise, since the donation can only be used for particular projects and purposes (Dees, 1998). Seeking out for new forms of financing requires understanding of how to meet these requirements in the form of performance measurement and fitting better in the private sector.

The heterogeneity of SEs means that they often struggle to fit with standardized performance measurement tools and techniques (Millar and Hall, 2013; Barraket & Yousefpour, 2013; Bull, 2007). Researchers like Brugg-Levine et al. (2012) argue, as long as the social sector does not have transparent ways on how they can measure performance, the more
commercial forms of funding are inefficient for Social Enterprises. Nowadays, the information provided by Social Enterprises to commercial investors is not sufficiently meeting their requirements. Therefore the IRIS organisation has set the first steps and attempts to develop standards for measuring the impact of Social Enterprises (Bugg-Levine et al., 2012).

1.2 Problem
As it became clear in the background section, Small and Medium sized Social Enterprises (SMSEs) struggle with proving their performance, whereas they do not want to measure their performance. Mainly since they are afraid of losing their social focus and shift it from achieving social impact to measure social impact. Further we found that SMSEs lack the capability to measure their performance, as mobilizing human capital is seen as a challenging task for SMSEs, particularly as it can be knowledge intensive to measure social impact on high scales.

Moreover we identified that SMSEs who measure their performance, often fail to provide the required performance measures to internal and external stakeholders. On the internal side this must be seen as problematic, because organizational learning and investment decisions can only be made, if feedback on decisions and actions is given. Towards external stakeholders well-communicated performance measures are needed, in order to build external legitimacy for the activities of the SMSE and further to raise funding in order to finance these activities.

Finally, we see that SMSEs are often found in the gap between the private and public economy and therefore face a variety of heterogeneous stakeholders that request different measures. Given the limited resource endowment of SMSEs, this makes it even more problematic to find adequate measures that are feasible for SMSEs.

Summing up, it is said by Ebrahim and Rangan (2010) that SMSEs are increasingly under pressure to demonstrate their impact to the society but in fact, they are often incapable of measuring all these performance indicators by themselves. This problem is amplified by the heterogeneous world of SMSEs. Thus in general, it is agreed in the literature that performance measurements must deliver transparency to the SMSEs’ background (Bugg-Levine et al., 2012; Chell, 2007; Dees, 1998). Therefore, it is “essential to gain a clear idea of the manageable and unmanageable dynamics and to adjust the performance measurement system accordingly” (Straub et al., 2010).

1.3 Purpose
The purpose of this study is to explore how relevant performance measurements of SMSEs can be constructed, as well as to provide an understanding of the feasibility for implementing such measurements. By doing this, we hope to contribute towards a new and more comprehensive performance measurement approach for SMSEs.
1.4  Structure

To fulfil the purpose of this study, we will start with the Frame of Reference (Chapter 2) in which we present the current state of the literature on Performance Measurement for Small and Medium sized Social enterprises (SMSEs). Connected to the literature, we state the research questions of this study within this chapter. Henceforth, we demonstrate the research method of this study (Chapter 3). That is where we go into details of the research design, choices of cases, research ethics, data collection, data analysis and finally the research quality. Hereupon, we present the results of this study (Chapter 4). After this chapter, we start to conceptualize this study by connecting both – findings and theory and in particular expose what we can add towards a comprehensive Performance Measurement approach for SMSEs (Chapter 5). Eventually, we end this study with the conclusion, challenges, limitations and suggestions for future research (Chapter 6 and 7).
2 Theory

In this section the Reader will read the literature review on Performance Measurement Systems (PMS) for Small and Medium sized Social Enterprises (SMSEs).

2.1 Definition of Social Enterprises

Different researchers and practitioners have tried to clarify the definition of Social Enterprises. In spite of this, the term “social” remains difficult to define due to the different perspectives it has (Carter & Jones-Evans, 2012). In this social spectrum there are Social Enterprises that address a higher level of a social aspect while others do less. The debate of this topic has moved into the question whether it actually is important to have a narrowed definition for Social Enterprises (Jones, Keogh, & O’Leary, 2006). A majority seems to prefer and is working towards a clear definition of Social Enterprises (Carter & Jones-Evans, 2012). Eventually “A clear definition is where good science starts” (Bygrave & Hofer, 1991) and in this light several researchers have contributed to a more defined definition of Social Enterprises (Dees, 1998; Boschee & McClurg, 2003; Defourny & Nyssens, 2006; Peredo & McLean, 2006; Shaw & Carter, 2007).

A definition that is often used in the literature, is the one defined by the UK Government, as a business ‘with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners’ (DTI, 2002).

In the field of Social Enterprises there is different understanding and interpretation about the definition of Social Enterprises between practitioners and scholars (Carter & Jones-Evans, 2012). To foster knowledge building in the field of Social Enterprises it is important to focus upon the scholar aspect instead of working with the understanding of the different elements of practitioners, because only then it is possible to gain legitimacy in the literature (Bruyat & Julien, 2001; Carter & Jones-Evans, 2012).

There have been several researchers such as Weerawardena and Mort (2006) who have attempted to build multi-dimensional models in order to identify all the elements of Social Enterprises. In spite of these attempts, the field remains blurred. A right question is why it is important to have a clear definition “since very limited find fundamental ground in this field yet” (Carter & Jones-Evans, 2012). As Martin and Osberg (2007) line out “failing to identify the boundaries would leave the term Social Entrepreneurship so wide open as to be essentially meaningless”.

In empirical research, one aspect of the widely discussed definition of Social Enterprises, turn out to be generally accepted, which is the social goal of the Social Enterprise (Nielsen, Klyver, Evald, & Bager, 2012; Smith et al., 2012; Defourny & Nyssens, 2010; Chell 2007). A general acceptance that social enterprises are driven by social goals is not solving all (Carter & Jones-Evans, 2012). Without defining the different aspects of social, the term social enterprise “is left to subject to tautology” (Cho, 2006).

Dees (1998) identified the framework of the Social Enterprises’ spectrum, in which he illustrates these different aspects of purely philanthropic Social Enterprises and commercial Social Enterprises.
2.1.1 Systems of economy

The different positions of commercial organizations, governmental organizations and of purely philanthropic Social Enterprises or commercial Social Enterprises might become even more evident, when assessing the three dimensions of economy by Polanyi (1977).

Polanyi (1977) roughly divided the economic system into three parallel existing sub-systems which could be headlined with market, redistribution and reciprocity (Phillips, 2006).

The first sub-system describes our market in the private sector; exchange is mainly remunerated by the price setting mechanisms of demand and supply. This sub-system is primarily driven by competition and the target for profit maximisation of its participants (Phillips, 2006).

The second sub-system bases on the redistribution of compulsory deducted resources, as for example taxes from actors of the first sub system. A central institution, mostly the government, is responsible for the redistribution of these resources and has the primary target to plan and subsidize all notions of the welfare state with these resources (Phillips, 2006).
This leads to the sub-system, where the most Social Enterprises are located in, the third sector - the non-market or public sector. This sub-system is mainly driven by reciprocity. In demarcation to the first, the private sector, exchanges in this sector are rather regulated by human relationships, than by matters of price. It differs from the second sector as a redistribution of resources is de facto practised, but not generally imposed. Purposes of companies and organizations, in this sector are primarily of social nature and target to help individuals in our society (Phillips, 2006).

Laville and Nyssens (2001) agree on the allocation of social organizations into the third sub-system and investigate further that their strength is to intersect the two other sectors in their operations. Phillips (2006) formulated this very appropriate to the extent we can barely add anything.

“They are different from private enterprise in that their goal is not the maximization of profit to benefit owners, although they do develop market activities and generate profits. They are also different from the public sector in that they are independent from direct control by public authorities. But they benefit to a greater or lesser extent from public subsidy.” (Phillips, 2006)

Dees (1998) introduced the framework of the “Social Enterprise Spectrum”, which brought a better understanding in the different options leaders of non-profit firms face. A purely philanthropic Social Enterprise is a firm that is not able to survive in the commercial spectrum and must rely on purely philanthropic sources such as donations and volunteer labour (Dees, 1998). Social Enterprises that are capable of being purely commercial are market driven and are able to deal with market-rate prices (Dees, 1998). One of the challenges they face is focusing on their social mission but at the same time dealing with the performance of the organisation (Dees, 1998).

The differences between the economy systems and the spectrum that is covered by SMSEs bring us to the first research question:

1. What can SMSEs learn from commercial SMEs regarding performance measurement in order to better address commercial funders?

2.2 Performance Measurement System (PMS)

If we deal with the expression of Performance Measurement Systems quite soon the complication will occur that there is no committed definition of performance (Franco-Santos, et al., 2007). The lack of a committed definition originates to a wide extend in the development of modern Performance Measurement Systems, which have their origin between start the and mid of the 1980s. At this time the primarily used finance-orientated target indicators which, developed from costing and accounting systems, have been criticised for encouraging short termism (Bourne, Mills, Andy, & Platts, 2000; Brem, Kreusel, & Neusser, 2008).

As a result of these critics in the 1990s, a more balanced and multidimensional perception of Performance Measurement Systems was taken by the majority of companies (Bourne et al., 2000; Brem et al., 2008).
Nygren (2000) describes this development with the words that performance became “...a multifaceted, fluid, problematic, ambiguous and contested concept”. Nygren (2000) thereby describes the concept of measuring performance as complicated due to different sectors and stakeholders perspectives, which contribute with different means to a common end.

Franco-Santos et al. (2007) agrees on Nygren’s (2000) perception of the complex and multidimensional Performance Measurement Systems and further highlights the relativity of definitions of Performance with the example of one company.

“From an operations perspective, a BPM (Business Performance Measurement) system is mainly perceived as a “set of metrics used to quantify both the efficiency and or as the reporting process that gives feedback to employees on the outcome of actions”

“From a strategic control perspective, two different aspects of a BPM system can be identified. On one hand, it reflects the procedures used to cascade down those performance metrics used to implement the strategy within the organisation. On the other hand, a BPM system is the system that not only allows an organisation to cascade down its business performance measures, but also provides it with the information necessary to challenge the content and validity of the strategy”

“From a management accounting perspective, a BPM system is considered to be synonymous with management planning and budgeting”

As the example illustrates PMSs have a high influence on the company as a whole because they increase the knowledge of managers of all departments such that performance management systems nowadays deliver valuable information, which serves as the basis for decisions in corporate management.

Further this comes along with an extensive effort that must be made when planning such a PMS in order to interweave all stakeholders and their targets.

Brem et al. (2008) highlight in their research that just a few SME companies own the needed resources to develop and implement a performance measurement system (PMS) following the traditional process. They advocate that for these companies it is rather necessary to consult an external person or organisation in an initial stage, in order to check the corporate ability for a successful implementation and later use.

### 2.2.1 Design-Implementation-Use-Modell

The standard or traditional process mentioned by Brem et al. (2008) is Bourne’s et al. (2000) “Design-Implementation-Use-Modell”, which is divided in three (plus one) process steps:

Design [1], Implementation [2] and Use [3] (additionally Update [4])

The implementation of a Performance Measurement System (PMS) according to this standard process is for many Small and Medium sized (Social) Enterprises unrealistic and unfeasible due to their start-up nature.
**Design Phase**

The design phase is the primary definition phase, in which important parameters for the future PMS are fixed. These parameters often pre-require the clarification of strategy, vision and mission as the foundation, on which the PMS can be built on.

The next important steps are the definition of the measurement approaches and measurement range. In these steps the Small and Medium sized (Social) Enterprises decide which milestones deducted from the vision, mission and strategy, they will measure. Furthermore, in this phase it will be decided how the Small and Medium sized (Social) Enterprises will approach the measurement of the before defined variables. However like Brem et al. (2008) indicate, Small and Medium sized (Social) Enterprises often miss the structural preconditions to properly apply all steps of the Design Phase. This is just logical, as Small and Medium sized (Social) Enterprises often miss a technically formulated strategy and are often not aware of measurement approaches and effective time horizons for performance measurement (Bourne et al., 2000).

**Implementation Phase**

The implementation phase consists of building the technical infrastructure and implementing systems, which are necessary to realize the prior, defined performance measures. In this phase it is crucial, that the Small and Medium sized (Social) Enterprises own the necessary infrastructure to implement such advance systems.

However, most Small and Medium sized (Social) Enterprises lack these technical infrastructure and information systems. Subsequently, fundamental investments would be necessary in order to implement these on demand (Brem et al., 2008).

**Use Phase**

Within the use phase the company applies the performance measures that are provided by the systems. In order to extract the full potential of the generated performance measures, it is essential that the measures should be reported to the right receiver in an appropriate format. Only then can they provide information that is necessary for decision makers to challenge and improve the content and validity of the strategy or operations of the Small and Medium sized (Social) Enterprise.

Further important limitations, which SMSEs face and which are limiting their ability to effectively utilizing a PMS, are their low resource endowment and focus on their day-to-day business, in order to keep the operational business running (Bourne et al., 2000).
2.2.2 Measurement Horizons

Ebrahim and Rangan (2010) argue that SMSEs, even with a linear theory of change or expansion and a tightly focused operational strategy, are barely able to measure their impact. However, they are able to measure their inputs, activities and outputs, on a lower measurement horizon. For SMSEs, whose missions require a more complex or non-linear theory of change, Ebrahim and Rangan (2010) clearly advocate that it is more feasible to stick to simple measures of the SMSEs’ inputs, activities, and outputs. As there is not seen much sense in trying to measure long-term impacts, which are beyond the control of the organization. Several researchers Luke, Barraket and Eversole (2013), Somers (2005), Chowdhury, Jenkins and Nandita (2014) and Bangoli and Megali (2011) agree with Ebrahim and Rangans’ (2010) statement above. Somers (2005) further argues, that Social Entrepreneurs must know what their precise input, output, outcome and impact is, in order to be able to communicate their performance well, to their concerning stakeholders. Therefore it is important to know the different measurement horizons of social entrepreneurial performance:

**Input**

The first scale of the measurement horizon is the input. Measure elements of the input can be seen as working time, knowledge and technical expertise, supplier equipment and money that is put into the Social Enterprise (Ebrahim & Rangan, 2010). In the literature it is ac-
cepted that the SMSEs are capable of measuring this measurement horizon easily, when taking into consideration their limited resource endowment (Barraket & Yousefpour, 2013).

**Output**

Ebrahim and Rangan (2010) describe the output as an immediate result of the input and activities that took place. For example, for a school this could be the number of lecture, in which teachers educate their students. As it is the case for the input, the output is generally accepted, as a scale that is feasible for SMSEs to measure (Ebrahim & Rangan, 2010).

Bangoli and Megali (2011) further conceptualized the output of a SMSE and complement Ebrahim and Rangan (2010) when they state: “This involves highlighting the physical product of the activities carried out by an Social Enterprise, as a valuation (or quantitative accounting) of outputs.” They further advocate that additionally, such information should be assessed in relationship to production costs or the opportunity costs that another market actor, of the private or public economy, would have.

**Outcome**

The outcome on the other hand, is a result that relates more to the medium and long-term measurement horizon (Ebrahim & Rangan, 2010). In the example of a school, more educated people in certain area could be the outcome for instance. The outcome is relatively more difficult to measure for SMSEs, as it requires more variables that must be measured, compared to relatively easy and directly measurable input and output. Regional education for instance is influenced by several factors outside of the SMSEs’ power (Barraket & Yousefpour, 2013). Bangoli and Megali (2011) further line out that outcome can be measured either internal, as achievement of a mission and chosen objectives or external by customer or user satisfaction.

**Impact**

The impact is the highest and last scale in the measurement horizon (Ebrahim & Rangan, 2010). The impact implies the “sustained significant change” (Barraket & Yousefpour, 2013). In other words, the impact horizon shows the understanding of the “longer-term and broader effectiveness” of the SMSE (Lane & Casile, 2011).

Bangoli and Megalis (2011) definition goes along with this, as it explains impact as:

“Community benefit due to integration; reducing pollution and increasing environmental protection; revitalization of depressed urban areas.”

The different measurement horizons, which are implied by the literature, raised our second research question:

2. **Would it be appropriate to divide the measurements or accountability of measuring the performance of SMSEs in the form of input, output, outcome and impact to different institutions on the SE market?**
2.3 Financial performance

Bagnoli and Megali (2011) illustrate economic and financial performance, as one of the three important dimensions that is part of measuring Small and Medium sized Social Enterprises’ (SMSEs’) performance. Measuring financial performance seems to be important for varying stakeholders. However, this means at the same time, that different financial indicators are requested and many models seem to overlook this aspect or fail to conceptualize it. In most attempts of developing a Performance Measurement Systems (PMS) for SMSEs, the financial aspects play a vital role for both internal and external communication.

2.3.1 Social Enterprises Balance Scorecard (SEBC)

One of the attempts was to modify the Balance Scorecard of Kaplan and Norton (1996) into a Balance scorecard for Social Enterprises (Somers, 2005). The social goals were introduced as more important than the financial goals and the financial goals were widened to the financial sustainability of Social Enterprises (Somers, 2005). As part of SMSEs’ performance, Somers (2005) argues that both the financial sustainability and the social impact can be measured in the Social Enterprises’ Balance Scorecard (SEBC). However, many SMSEs face the lack of managerial skills to measure indicators such as Social Return On Investment (SROI) (Bull, 2007). The complexity of measuring the social impact and how this is linked with the financial sustainability seemed to be simplified and underestimated in this model (Arena et al., 2014). The financial long-term performance seems to be difficult to predict, due to the dependency of public spending and projects financed by investors (Bagnoli & Megali, 2011).

2.3.2 Social Return On Investment (SROI)

The Robert Enterprise Development Fund introduced the SROI as a tool, which assigns the social and environmental value to financial terms (NEF, 2007). Further the NEF (2007) defines it as “the ratio between net present value of the benefits to the net present value of the investment”. For varying stakeholders a standardized measurement tool such as the SROI will contribute to a better understanding of what the Social Enterprise is contributing to the society and what it is worth (Brugg-Levine et al., 2012; Lehner & Nicholls, 2014; Díaz-Foncea & Marcuello 2012; Bridgstock et al., 2010). However, at the same time it might be misleading as well, as mentioned by Arena et al. (2014), not all the impacts influenced by Social Enterprises can be displayed in monetary terms. This could have the opposite of the desired effect, in which Social Enterprises might be underestimated by the financial expression of their contribution (Arena et al., 2014).

In addition to the underestimated value of the Social Enterprise or wrongly estimated value of the Social Enterprises, many SMSE do not have the network or reporting systems that is necessary for calculating the SROI (Arena et al., 2014; McLoughlin, Kaminski, Sodagar, Khan, Harris, Arnau, McBrearty, 2009). Moreover using the SROI is found costly, since it is time and knowledge intensive (Millar & Hall, 2013).

Given the complexity of Performance Measurement Systems and the different horizons in which a SMSE can approach measurements, this brings us to our third research question:

3. What measures are feasible to measure for SMSEs and to what extent should they measure their performance respecting their limits in skills and resources?
2.4 Contingency models

Bagnoli and Megali (2011) introduced a model, in which they integrated the three main dimensions, “economic and financial performance”, “social effectiveness” and “institutional legitimacy”. For each dimension, they developed indicators that all together give an overview of a Social Enterprises’ performance. However, as Arena et al. (2014) mention, this model overlooks to take the varying stakeholders and their requirements into account.

Other researchers developed a contingency model, suggesting that some SMSEs should measure short-term performance in other words, input, activities and output, while further developed Social Enterprises are also able to measure their long-term performance, in terms of outcome and impact (Ebrahim & Rangan, 2010). Nevertheless, in light of convincing other stakeholders of sound performance, SMSEs that focus only on the front end of the logic chain (input and output), do often fail in showing that they make a difference (Ebrahim & Rangan, 2010). Moreover Campbell (2002) argues that SMSEs, which try to measure outcomes and impacts, possibly in an improper way, risk to take credits for outcomes and impacts that are beyond their control.

As criticism on the contingency model of Ebrahim and Rangan (2010), a recent study of Arene et al. (2014) highlights that Ebrahim and Rangan (2010) fail to include the varying stakeholders and their different requirements of information into their model. These concern about the appropriateness of the measures as they are suggested by Ebrahim and Rangan (2010) bring us to our fourth research question:

4. Within the heterogeneous world of SEs are there common elements or dimensions, which can contribute to a higher degree of standardization of measuring performance of SMSEs?
3 Methods

3.1 Introduction to Methods

The following chapter will give insight into the research activities behind this study. In Section 3.2 we will explain the research philosophy what we base our research on and further motivate the chosen Research Approach. In Section 3.3, we will introduce the Research Design, in which the research purpose, strategy and type is further explained. Subsequently in Section 3.4, we will introduce the Reader to the participants we have chosen to be part of our research and we will further motivate our choice within this chapter.

Section 3.5 will contain the ethical principles this research is based on, here the major ethical concerns regarding this research will be named and further our meaning to approach them in a respectful way. The following Section 3.6 will introduce and motivate our approach to utilize semi-structured interviews as method of data collection and further give an overview of the questions asked and connect them with the purpose of this research.

Then, Section 3.7 will clarify and motivate the analysis approach we are going to apply in order to extract findings from the conducted research. Finally in Section 3.8, we give words about the quality of this study.

3.2 Research Approach

In this qualitative study, an overall research philosophy of pragmatism is used, in order to adequately serve the research questions in an appropriate way. More importantly we aim to offer a “practical and outcome-oriented method” (Johnson & Onwuegbuzie, 2004), which helps us to adequately answer the research questions of this study.

As the research question suggests, we are dealing with Performance Measurements and (social) entrepreneurship. The term Performance Measurements gives reason to expect that quantitative factors like the Social Return On Investment, Cash flow and so on, have a strong influence on evaluation of a company. However, when taking into consideration the complexity and underlying values that Social Entrepreneurs might have towards Performance Measurements, we realize the likelihood that our research might not be law-like generalizable or undertaken in a value-free way and therefore does not hold a philosophy of positivism (Remenyi, Williams, Money, & Swartz, 1998).

Besides pragmatically conducting this research, we take into consideration the statement of Van Maanen (1979), Johnson (1987) and Alvesson & Kärreman (2007) that Social Science cannot go without an interpretivist approach. In particular, with the aim of this study to find new insight in the phenomena of Performance Measurements for SMSE’s rather than find frequent phenomena within this field, we see an interpretivist approach as appropriate for this study. In addition to this, we emphasize that awareness of the “human condition” and the ethical validity is crucial for the trustworthiness of our study rather than the method in itself (Leitch, Hill, & Harrison, 2010).

In this study it was not appropriate to work solely deductively, because the literature on Social Entrepreneurship is not yet saturated or ready to be tested with hypotheses (Robson, 2011). In addition to this, it was quite clear that this study would not be suitable for generalization, which is often associated with deductive studies (Saunders, Lewis, & Thornhill, 2009).
On the other hand it was also not appropriate to work solely inductively, since we had a certain frame of reference on the latest theory of Performance Measurements for Social Enterprises, which gave us already some direction for this study.

Therefore, an abductive research approach, combining aspects from the deductive and inductive approach, seems to be most appropriate for this study. With start in the frame of reference, we engaged into fieldwork in order to explore the challenge of performance measuring for SMSEs. An abductive approach in particular can contribute to the field of SMSEs, especially taking into consideration the statement of Alvesson and Kärreman (2011) in which they explain the advantages of an abductive approach for the exploration of “ideas that offer challenges to conventional thinking within an area, pointing at shortcomings or paradoxes”.

For this study we agree with Alvesson and Kärreman (2007) that the rational for this approach, is that the contribution of this study should not be in validated knowledge, but rather rethinking the ideas and theory, which in this study is the phenomena of Performance Measurements for SMSEs.

### 3.3 Research Design

For this study, we used a narrative strategy, with an exploratory mono method cross-sectional study.

As Riessman (2000) explains, a narrative strategy is especially relevant for studies in which “personal experience and meaning” are important. In this study, the experience of the Social Entrepreneur is important for us, to explore the challenges they face regarding Performance Measurements. As Moen (2006) explains, “human beings organize their experiences of the world in narratives” and in order to capture the actual challenges of SMSEs we should allow them to give their stories to us. Therefore, we consider a narrative strategy as suitable for this study. In addition to this, Coffey and Atkinson (1996) also line out that a narrative strategy is in particular relevant for qualitative research.

Moreover, this strategy is well suited for an exploratory study in which we aim to get new insight in the phenomena of Performance Measurements for SMSEs. As part of the exploratory study we conducted a literature review on the topic of Performance Measurements Systems (PMS) for Social Enterprises as well as semi-structured interviews with experts in the field of SMSEs, which is well suited for an exploratory study (Robson, 2011).

In this study, we used a mono qualitative data collection and analysis technique for answering our research questions. We did not see the need for this study to complement this qualitative research with quantitative research, as is the case with mixed-methods approach (Saunders et al., 2009). The main reason for this is the fact that we rather want to conceptualize than generalize our findings. In addition to this, we did not see the urge to use more than one qualitative data collection technique, as is the case with multi-method (Saunders et al., 2009). It is our aim to get new insight into the challenges that SMSEs face towards Performance Measurements and with the semi-structured interviews we can obtain this. Nevertheless, as Riessman (2000) explains, it is definitely possible, within narrative strategy, to use mixed-methods or multi-method approaches. We see it rather as not useful for this specific study due to the given explanations.
The time horizon that we used for this study is cross-sectional. Since our research was undertaken for an academic course, we were limited in time and therefore a cross-sectional study seemed to be most appropriate for this study.

3.4 The choice of cases

Before we started the active search for appropriate cases for the data collection, we defined a set of characteristic, which acceptable cases needed to cover. These characteristics were based on the prior research made, using the literature.

As one of the most basic requirements to become part of this study, it was necessary that the case was a social entrepreneur itself or a stakeholder of a SMSE, for example an incubator or a funder. We further decided that, in order to see what learnings social enterprises can obtain from commercial enterprises and in order to foster knowledge exchange between the private and the social economy (Polanyi, 1977), it would also be necessary to conduct interviews with commercial entrepreneurs and their stakeholders.

The decision, if a case was categorized as commercial- or social entrepreneurial, was based on whether the organization follows a social goal or not, which is widely accepted as a distinction between both sides of Entrepreneurship (Nielsen et al., 2012; Smith et al., 2012; Defourny & Nyssens, 2010; Chell 2007). Supplementary, in order to increase the conceptualizability of this research we decided that the totality of our cases must represent different social fields of business, diverse positions within the by Dees (1998) defined spectrum of Social Entrepreneurship and different stages in the companies’ lifecycle. In this way we address the concerns of Arena et al. (2014) on prior research, which according to them, did not properly cover the heterogeneity on the marked for Social Entrepreneurship.

In order to adapt our research to the given restrictions, we choose to concentrate on Swedish organizations. We motivate this decision further with our assumption that an international study, containing countries with different social systems and would have blurred the results and an international comparison could be part of future research.

With these characteristics as a basis, we started identifying and contacting appropriate cases. We engaged in an online research with an outcome of a long-list with eighteen potential cases. Thereafter, we eliminated cases from the list that were too similar or not appropriate and engaged an in-depth background research on the remaining cases. As Smith (2000) explains, in conducting research with a narrative strategy it is important to have a rationale for the type and number of interviewees selected and whether it is important to study a few persons in depth or many persons in less detail. The result was a short-list with twelve remaining cases, which we contacted via E-mail and a follow up call. The final result of these contacts where ten scheduled interviews in four medium to large sized cities in Sweden. After conducting the interviews, we decided to access the quality of the collected data. This final control led to the exclusion of four cases, in which we could not speak with the scheduled interviewee or the collected information appeared to be not useful for this study.

Consequently we finally considered six cases within this study, which provide rich data in order to conceptualize for this study.
3.5 Research ethics

The world of social entrepreneurs and incubators in Sweden can be described as a small world, where it is not unusual that people know each other from stories or personally. Respecting this situation and the dependency of the different stakeholders, we paid extra attention to the ethical issues of this study. In particular, since the data for this research is collected “as words trough interviewing” (Leitch et al., 2010), it is essential to take into consideration the ethical aspects for the participants.

First of all, our interview took place in separated rooms, in order to give the interviewees the freedom to tell their narratives openly. In open spaces, it might have biased the interviewees to openly speak about their feelings and experiences. Then before starting the interview we emphasised that the names of individuals and companies will be used anonymously in this study. As we explained the close world and network circle “the interviewee may share information that could jeopardise his or her position in a system” (DiCicco-Bloom & Crabtree, 2006).

In addition to this, we clarified our purpose of this study, in order to make clear what we will use provided information for. We also mentioned that we would only use the data for other purposes, for example for further research, if we have received permission for this specific purpose. In doing so we made sure that the participants were fully informed about the purpose and use of the empirical data.

Finally, the confidential reports provided by the interviewees, will be used strictly anonymously and we paid extra attention that the data is stored safely. For all the interviewees and companies we used fictive names. With this we take into consideration the “awareness of requirement to ensure that personal data are stored securely” (Saunders et al., 2009).

3.6 Data collection

3.6.1 Semi-structured interviews

We conducted face-to-face semi-structured interviews with experts in the field of SMSEs. For this study, semi-structured interviews are highly relevant, since this data collection technique is mostly associated and generally accepted to conduct qualitative research (King, 2004). Moreover, as we already mentioned, semi-structured interviews are in particular relevant for an exploratory study (Robson, 2011), in which “different levels of meaning need to be explored” (King, 2004). Furthermore King (2004), explain that the aim of exploring new phenomena, is hard to be obtained by quantitative or other qualitative techniques. The specific choice for semi-structured interviews is based on the fact that we have a clear topic, for the investigations in this study. Therefore, we choose semi-structured interviews over open and structured interviews. In particular as we expected it to be necessary, to have the possibility to guide the interviewees into the specific topic of this study, without limiting them in their narratives. The advantage of semi-structured interviews -probing answers from our interviewees- is of high importance for this study (Saunders et al., 2009). In particular, since we want to gain meaningful stories from the interviewees.

3.6.2 Construction of Interview Guide

As recommended by King (2004), in order to have good semi-structured interviews it is crucial to have an appropriate interview guide, based on the literature and the researchers
own experiences and knowledge. Therefore and in order to ground this research on solid foundations, we prepared a list of themes and questions, based on the frame of reference of this study and our knowledge and experiences. These themes and questions needed to be covered and answered in all our interviews, although the specific conversation varied from interview to interview.

In total we have used six interviews for this study. As we specified before, we conducted the interviews with social and commercial Entrepreneurs and their stakeholders. This resulted in doing one interview with a commercial incubator, which was followed by complementary interviews with two social incubators and with three social entrepreneurs.

We have clustered the topics and questions for our interview along the yardstick questions, lined out in frame of reference of this study. We will further line out the different clusters and motivate their importance to fulfil the purpose of this study.

The first cluster of the semi-structured interviews has to do with a general understanding in which field the social entrepreneur or stakeholder of SMSEs is operating and to what extent their activities are accountable for the public or private market. In this part it was particularly important to learn about the true nature of the interviewee.

- Are you a social entrepreneur and if not how would you describe your business relationship with social enterprises?
- How would you describe your business, more commercial or more philanthropic?
- In which branch within social entrepreneurship are you working?
- If you explain your business growth in stages, which stages have you gone through?

The second cluster addressed the in Chapter 1.1.1 and Chapter 1.1.2 mentioned problems, which SMSEs have with performance measurement; namely the scarcity of resources they most commonly face and the general low willingness to measure their performance (Millar & Hall, 2013). This is because performance measurement is often seen as ripping the focus of SMSEs actions away from their social (Arvidson et al., 2010).

- What measures are feasible to measure for SMSEs and to what extent should they measure their performance respecting their limits in skills and resources?
- How would you describe your current equipment with resources such as, skilled labour (financial, marketing, and administrative) and money?
- Respecting your current resource situation, do you think it is feasible to measure your performance and if yes explain to what extent do you think it is feasible?

The third cluster is reflecting on the issues mentioned in Chapter 1.1.3 and Chapter 1.1.4, which are concerned with the SMSE’s ability to communicate their performance towards internal and external stakeholders. Communication of performance is important, as it is seen as a vital element to motivate employees and provide a solid base for decision-making, on the one hand (Bridgstock et al., 2010). On the other hand, the external communication
of performance measurements give SMSEs the possibility to build up the necessary legitimacy for their work and interaction and negotiation with external stakeholders (Barraket & Yousefpour, 2013; Millar & Hall, 2013).

Furthermore, this cluster meant to trigger the interviewee to talk about his or her experience with internal and external stakeholders and to what extent the SMSE’s decision-making process is influenced by performance measures.

- How does your contact with stakeholders and SMSEs look like, how often do you meet per month and who is involved in this meeting?
- What measurements have you been asked to deliver to your internal (Managers/ Employees) stakeholders and to your external stakeholders (donors/investors/incubators)?
- Why do you think it is important to measure such elements and for whom?
- How do you deal with the different stakeholders in the public and private market?

In the further development of the interview, we were referring to approaches that try to standardize the measurement of social performance, which we deducted from the literature, for example the “Social Return On Investment” (NEF, 2007) or the Social Balanced Scorecard (Somers, 2005). The purpose behind this question was to find how far these standardized the measurement of social performance were distributed among our group of interviewees, so if they were familiar with them. If yes, we took this as an indication that our interviewee had confronted him- or herself with the literature about the theoretical principles of performance measurements. In follow-up questions, we investigated what experience our interviewee had made regarding the feasibility of these standard measurements for SMSEs.

- With which performance measurements are you familiar?
- From your perspective what are important measurements for SMSEs?
- What do you think about the balanced scorecards for SEs?
- Have you ever calculated the SROI and how did this go?

Thereafter in the next interview phase, we asked our interviewee to give his or her opinion about the heterogeneous landscape of Social Entrepreneurship (Bull, 2007; Millar & Hall, 2013). There are certain elements they recognized to be similar at the wide majority of the SMSEs. Furthermore, we asked if the interviewee could identify general similarities between his or her SMSE and commercial entrepreneurship. This question set is motivated by the search of common elements among SMSEs or commercial start-ups, which could serve as a starting point for a more standardized measurement model.

- What do you think can be learned by SMSEs from commercial SME regarding performance measurement in order to better address commercial funders?
• Do you think there are common elements in the most SEs which can contribute to a higher degree of standardization of measuring performance of SMSEs?

The final stage of the interview was always used to stimulate the interviewee with the contingency model, which we extracted from the literature and which is based on a division of responsibility between different measurement horizons (Ebrahim & Rangan, 2010).

• Please have a look on this model, given the scarcity of resources and skills; do you think it could be an option for your company? Why (not)?

• Are you familiar or do you distinguish between the measurement of input, output, outcome and impact and if so, please give examples?

• Would it for you make sense to divide the measurements or accountability of measuring the (performance of) input, output, outcome and impact to different institutions on the SE market? Why (not)?

After the interview was conducted and all the necessary information was collected, we thanked our interviewee and exchanged contact information.

3.7 Data analysis

In the pragmatic and interpretivistic approach of this study, we found narrative analysis suitable for analysing our empirical data. First of all, it allowed us to explore the relationships between the stories of our interviewees, which helped us to better address our research questions and thereby serving our “practical and outcome-oriented method” (Johnson & Onwuegbuzie, 2004). Furthermore, as Riessman (2000) explains, narrative analysis is found appropriate for making sense out of empirical data and for finding new meanings. Additionally, with applying a narrative analysis, we also take into consideration the statement of Alvesson and Kärreman (2007) that the rational in an abductive approach should be to rethink the existing ideas and theory.

Before we actually started our data analysis we arranged all our data systematically. For the storage of our recorded interviews and collected reports, we used a secured cloud service. We created for each interviewee a unique folder name in order to create a clear overview and a secured environment for the interviews and reports.

After each interview, we discussed briefly how we felt about the interview. On purpose, we – the researchers - conducted all the interviews together, in order to be able to reflect together on the interview. We discussed whether we managed to cover all the questions that we wanted to ask and we tried to think about what we could do better or differently in the next interview. The prior developed semi-structured questions remained unchanged for the stakeholders of SMSEs and social entrepreneurs. However, we adapted the questions for the semi-structured interview with the incubator and investor of “non-social” enterprises, in order to better fit the question for this interviewee.

The first part of our actual analysis consisted of the first level analysis, in which we broke down our data and tried to lay foundations for our further analysis. We did a verbatim transcription in Microsoft Word of all the interviews, including the full question asked in order to prevent misinterpreting the respondent’s answering (Saunders et al., 2009). This allowed us to go through the interviews and highlight the relevant sentences and themes related to
our research questions. In some cases of the highlighted sentences, we could not allocate the important sentences to themes derived from the reference of frame. In these situations we brainstormed about appropriate themes and went back to the literature.

In next phase of the analysis, the second level analysis, we started to make more sense of the data. First, we brought together the themes in an Excel Analysis template, which we created to structure our findings. First of all we created appropriate categories on horizontal level in order to list all the interviewees in a logical overview. Horizontally, on the highest level, we listed the overall heading of the interviewees, resulting in (Social) Entrepreneur and Incubator. On sublevel of Social Entrepreneurship, we included the categories Commercial and Philanthropic. Under the category Incubator, we distinguished solely between commercial (general) and social (specialized).

On the vertical level, we listed the clusters that are explained in the previous section. As expected, the interviewees often started to answer the question in narratives. As explained by Riessman (1993) “respondents often hold the floor for lengthy runs and organize their responses into stories”. Therefore, the clusters hold the structural elements “that are often present in narratives” (Coffey & Atkinson, 1996). This allowed us to notice the participants’ nature, actions, consequences of this actions, and relationships between the events (Saunders et al., 2009). On a sublevel of these clusters, we placed the formulated questions that are also explained in previous section. In addition to this, we used an extra row for extra findings, which could not yet be defined under the preliminary clusters.

The structure of the narrative now holds the following sequence, it starts with the description of the interviewee in general. Then the middle part of the narrative first focuses on the problems that the interviewees have had with measuring their performance. Subsequently, we gave place for the structure element of SMSEs’ experiences with communication towards internal and external stakeholders. Following on this, we included how the interviewees perceive, if any, the standardized measurements. In addition to this, we included the interviewees’ opinion of heterogeneous landscape of SMSEs. Finally, we ended the structure with the opinion of the interviewee about the contingency we model, we extracted from the literature (Ebrahim & Rangan, 2010). With this narrative structure, we believe to have a structure of a good narrative, as suggested by Coffey and Atkinson (1996) it should have a beginning, middle and an end, as well as a logic that (at least) makes sense to the narrator.

In creating appropriate categories on horizontal and vertical levels, we could better explore the themes and get better picture of the overall findings and sense making narratives. As mentioned in the literature, “such narrative may not always present facts, they provide meaning to facts” (Saunders et al., 2009).

3.8 Research quality

Researchers in Social Science, in particular interpretivist researchers hold the responsibility to show that the research process took place in a rigorous way (Leitch et al., 2010). However, the terms validity and reliability are no longer perceived as quality holders for qualitative research (Seale, 1999). To better addressing the quality of this research, as suggested by Angen (2000), we tried to use the validation term rather than validity term for our research. Therefore, the trustworthiness of our study must be embedded in our entire research process, implying the ethical validation, substantival validation, and the researcher quality (Leitch et al., 2010). As part of the ethical validation, we have a moral stance, which we
have explained in our research ethics. In addition to this we strive to give practical and “relevance value to the interest group” of this research (Angen, 2000).

Moreover, as part of the substantive validation, we paid extra attention towards the transparency of our research. According to Madison (1988) and Nielsen (1995) this can be achieved with “thorough and comprehensive documentation of processes undertaken”, which we have explained throughout our method section, with our extensive construction of interview guide for instance. In addition to this, we realise that it is essential to be reflective throughout the entire research process in order to make the findings of this study more understandable (Alvesson & Sköldberg, 2009). In being reflective in our study, we took a step back from the research to see the broader picture of the research by asking ourselves the questions such as ‘Are we really working with the problem?’, ‘Are we really working with the solution?’, and ‘Are we not creating a new problem with this solution?’

Finally, we show the quality in this research through the “richness of our empirical” and our “personal involvement” (Angen, 2000; Patton, 1990). With this we agree with Patton (1990) that the “validity, meaningfulness, and insights generated from qualitative inquiry have more to do with the information-richness of the cases selected and the observational/analytical capabilities of the researcher than with sample size”. From the semi-structured interviews we conducted we could obtain rich narratives, which was more important for this study than the quantity of the semi-structured interviews. Furthermore, we can say that we – the researchers, have we have committed ourselves passionately within the field of Social Enterprises in the field of Performance Measurements for Social Enterprises, due to the experiences during the Master programme, with various activities and assignments in this field. Therefore, as explained by Angen (2000), is it likely that our “personal involvement”, which we have gained in past experiences, contribute towards the quality of this study.

In conclusion to our method and in particular to our quality of the research, we believe that we meet the validation of trustworthiness. In addition to this, we emphasize that the quality of this research is not established through “assessment of the research findings, but intrinsically through the ethical and substantive validation and execution of the research” (Angen, 2000). Other than that, we leave the judge about the validation of our research to the Reader.

<table>
<thead>
<tr>
<th>Research Design and Data Collection</th>
<th>Analysis</th>
<th>Interpretation</th>
</tr>
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</table>
| Ethical Validation                 | - Moral stance  
- Practical value  
- Understand meanings  
- Research process | - Give voice to participants  
- Choice of method | - Generative potential  
- Transforms actions  
- Addresses ‘so what’ question |
| Substantive Validation             | - Intersubjectivity  
- Self-reflexivity  
- Popular & personal understandings  
- Researcher’s paradigm & pre-understandings  
- Access | - Record own transformation  
- Present disconfirming cases  
- Theoretical candor  
- Transparency | - Self-reflexivity  
- Record own transformation  
- Evidence of conceptual development  
- Dynamic research process  
- Transparency |
| Research Quality                   | - Characteristics & attributes | - Personal involvement | - Craft work |

Table 1 Validation of the Process of Undertaking Empirical Interpretivist Research (Leitch et al., 2010)
4 Results

The following chapter will present the narratives that we were told, as results of the six semi-structured interviews we conducted with three Social Entrepreneurs, two Social Incubators and a Commercial Incubator.

The story of a Social Entrepreneur (Sweden)

Thomas Beerson is the CEO of a social enterprise that supports kids in helping them to envision their future and provides volunteering experiences to employees of companies. The enterprise just started with a scaling process. From his perspective, he operates a social enterprise that is parallel a for profit business.

“I feel from a company perspective, we don’t talk sponsorship we talk business case, with companies. So we don’t want them to sponsor us. We want them to get return on investment, financial return on investment, on the money and the time that they entering to the program."

For Thomas, it is feasible as a social enterprise to measure its input, activities and output. That is what he shows to the companies and schools that are collaborating with him or to new companies and schools he wants to collaborate with. Regarding his current resource endowment, he told us that his main challenge is to scale before he actually has the required resources to do so.

In general, his stakeholders did not ask for complex measurements. They were more interested in soft measures that showed how Thomas is making a difference to the society.

“Companies ask how do you know you make a difference. In reality they are, so far, not concerned with measurements.”

Thomas reported that, surveys and interviews with the students were sufficient evidence for his stakeholders to show that his company is making a difference and the business model works out.

The surveys typically address two target groups - the SMSE’s customers or employees. Surveys that address the SMSE’s customers usually have the purpose to determine the customer satisfaction and to identify potential points, how to improve this customer satisfaction. Additionally to that, surveys that are given out internally to the employees also check the teams’ complementarity or in other words the team spirit and values. In addition to this, Thomas explained that the surveys are used for internal improvement of his program.

Furthermore Thomas mentioned that the fact that schools are paying for his program is giving sufficient evidence that his company is valuable. Especially partners on local level perceive this and the surveys as sufficient information, to judge whether it would be beneficial to corporate with him or not. The partners on national level that could provide Thomas with more money than the local level partners, want to have more sophisticated indication that his program will scale successfully.

In 2012, Thomas made an impact report. However in his opinion, emotional storytelling seems still to be more effective to convince stakeholders than hard measures he included in his report.

“That type of storytelling (movie and emotional storytelling) I think is, for us, more powerful than scientific statistics in terms of percentages. That helps us in improving our program. So that helps us kind of fine-tuning or
Thomas further described his difficulties to correlate the activities of his company with an actual impact on a high scale, such as national unemployment. He is giving out a number of indicators based on the output his company has, which claim a certain impact, but which cannot be precisely determine what his actual contribution to the impact is. Even though he did not need to provide such an impact measure yet, he sees the necessity of this for the future.

“We have not had the time or we have 24 hours per day but we have not prioritized to and not the need to prioritize measurement. But at the same time, we get that question. I mean how do we know we are making a difference? So far they have been happy with pretty soft measures.”

Thomas replied on the contingency framework and the connected splitting of the responsibility for measuring SMSE’s performance, quite euphoric. He repeated the problems regarding his experience towards measuring performance and emphasised that he cannot afford to spend much resources on measuring impact, especially when it interferes with his daily business. He further lined out that it would be useful, to have an institutions that can prove the company’s impact in a more sophisticated way. He especially took into consideration that his partners on national level require harder facts regarding the company’s performance.

“We can measure our activities and then it is good to get, it is good for social enterprises to get support in terms of how we do it, which indicators should we measure. What would be our key performance indicators? Given if we measure this and that, that would give good indications. Which makes it likely that you have a positive impact in the long run. Then it is excellent to have some researcher that can prove that.”

The story of a Social Entrepreneur (Sweden)

Johan Thomson is the CEO of a social enterprise that gives social support for people with autism. The enterprise is currently in the development stage, doing the beta testing. He sees his company as a company for profit.

“It is for profit, it is social enterprise I would say. It is like get a sustainable business to help people.”

As a start-up social enterprise, Johan has the feeling that he lacks resources for his enterprise and for developing his product in the speed he desires. Especially in the area of finance, he finds a need for assistance, since he is not experienced in this field. Even though he received grants from incubators, he does not have the financial capacity to hire someone with experiences in this field. However he gave to record that he was capable to calculate the SROI and a vision of his company’s further impact, in order to obtain this grants. This gave him an expression of what impact his company could have to the society rather than it gives strong evidence of what his, not yet in the market established company, can obtain.
“Starting with defining the impact, doing good research is the beginning. It does definitely help to have good research. For me it is important to understand like, how the program is making a change.”

However, he realizes that it is very difficult for him to precisely calculate his company’s future impact, especially at this early stage of his company.

“It has a lot to do with prioritizing as well.”

Additionally to the research, which helped him to get the grants, he talked to organizations that could be interested in his product and further did research about the opportunity costs that the government would have without his program.

Johan replied on the contingency framework and the connected splitting of the responsibility for measuring SMSE’s performance, thoughtfully. He generally agreed on the division of responsibility for measuring SMSE’s performance, but also gave the stimulus that impact can be the first to consider, in order of getting a vision for the company.

“I don’t think impact is last stage, I think it should almost be the first. You need to do research before you actually start, like putting money in the project. Of course it cost money to do research. The impact gives you an vision”

**The story of an employed Social Entrepreneur (Sweden)**

Bernard Anjasson is employed in a social enterprise. Within this position he is – among other things - responsible for support and evaluation of social enterprises that are applying to join the mentorship programs his company is offering. He emphasized that in his task, he feels and acts as a Social Entrepreneur itself.

He explained that his company is a non-profit company and part of a Social Entrepreneurial Network. From his point of view, the entrance requirements for getting access to the services of his company and programs are smoothly and rather open.

Our members are already established and some are just starting we received applications of people in different stages. Some in Start-up and some are being working for several years and not just local but also regionally

The responded replied that members have to tell their story and background and that the COO of his company takes the decision whether a Social Entrepreneur becomes a new member or not. Thereby, the personal background of the entrepreneur and the USP of the Social Enterprise, are perceived as the most important metrics that have influence on the decision making.

“Are they covering a market gap that is not covered by a public or governmental institution?”

On the question why his company mainly uses the history of the entrepreneurs as measure, he responded that it takes a long time until impact is measurable and can be considered as base for the decision.
“Yes… Because when it comes to social impact it becomes a bit abstract and it takes a while to see the difference you can’t say: “oh look now are there more people employed”.”

The story of a social Program Manager at a Social Incubator (Sweden)

Naima Leasdottor holds a position as a Program Manager within an incubator for social entrepreneurs. Within this position she is – among other things - responsible for support and evaluation of social enterprises that are applying to join the network. Further, she is part of the development team for programs, with which the incubators’ network supports Social Entrepreneurs.

The network work has profit generation as a target and therefore asks a membership fee from its members, in order to improve the service and to offer more programs to better realize their mission of supporting social entrepreneurs. She told in this context that most of the money is reinvested into programs, which help SMSE to scale up their business fast.

When she started her function as a program manager at the incubator, it was already in a late growth phase. When she was asked about her experience with SMSEs and what metrics are feasible to measure for SMSEs in consideration of their limits in skill set and resources, she replied that the most SMES are not capable of measuring complex measures as impact. She rather advocated that SMSEs should stay with simpler metrics as input and output and these should, in the best way, be linked to the outcome. Although, she also finds that this is even for bigger and further developed Social Enterprises a very challenging task in particular, because long-term activities on the marked are needed on the way to make a conjunction between output and outcome in a valid manner.

“They should start on an activity level considering input and output and maybe link it to the outcome but not more”

When we stimulated her to tell about her experiences with performance measures in her own organization, she replied that she had experienced resource scarcity in all entities, on all levels, within the social branch. Moreover she assumes that all organizations are working at the capacity limit and therefore have to allocate their resources in an efficient way.

“I think we are all working on the limit of our capacity other than that we could not make any change.”

She further lined out that the incubator itself measures its performance via a global survey, which is shaped with the help of the members and analysed by the global holding of the incubator. The survey combines information from the distinct fields in which the members of the incubator are active and gives an overview to what extent the members' outputs are contributing to the development of these fields.

After a coffee break she shared how her employer finances the provided programs and what measurements they have been asked to deliver to their internal and external stakeholders. She argued that they mainly use membership fees to finance their business model and investments, but also raise money from not further defined external stakeholders. In order to prove their performance to both groups of stakeholders, they argue with the global survey and prior success stories.
“We have also a more convincing power with the global survey, network and our successes so far and therefore it has happened that we got the funding.”

Naima further argues that from her perspective, the most used measurement approach for measuring social performance nowadays is a retrospective measurement. In this approach, she explains the difference made by the Social Entrepreneur of particular interest, in other words: What would have happened if the SMSE was not there?

“But for me in measurement whatever you are measuring you try to see if you are making a difference there and your control should be what would be without you being there…”

This perspective on prior success stories was also part of her response on the request to list important performance measures. She told us that for her the entrepreneurs’ values, a proven business model in terms of prior success and having a unique selling proposition (USP) is of interest. She further named personal commitment - at least from one person and the complementarity of resources, for instance a fitting team, as her main basis to evaluate whether a SMSE is suitable for a membership within the incubator.

“Like basically look at the values and the business model and if they have a USP, so what are alternatives out there as competitors then I look at the team. Further some sort of commitment at least from one person and complementary resources like a fitting team. I also appreciate if they have started to generate profit making mechanisms so for me this is a big plus and if not than I try to encourage them to try on new things.”

Based on her knowledge and experience, she considers first steps, undertaken by the SMSE, towards the generation of a self-sustaining business model as a strong plus. Also she supports the opinion that a business model is better than being depended on funds given by donators all over the time.

“Because I think this is a waste of time and resources because I see that every year you have to follow the new funds write the applications and this is probably not the main concern of your business to write applications… so many time and energy is wasted that way.”

Further Naima said that she never had been engaged into the calculation of the SROI nor would she advocate SMSEs to calculate it. She further advocates to the incubators members to communicate qualitative success stories and to undermine these with measures of in- and output in order to be convincing.

On the contingency model, which we showed her during the interview, she replied that she had made her PhD in the field of CSR and hybrid identity on cooperation and never thought about a split in responsibilities to measure impact. She moreover expressed her appreciation for this model form a theorist and practitioners’ perspective, as it also decreases the pressure on SMSEs:

“This is so true we are expecting too much from our entrepreneurs… identify a social need, improve it, do it without any money… like you know your personal life is screwed and then also measure your impact…”
She further suggests that the model should utilize the overview, which entities on a higher level - as for example incubators - have, especially when it comes to the measurement of outcome or impact.

**The story of a CEO at a Social Incubator**

Raimondo Imbisson holds a position of the CEO of an incubator for Social Entrepreneurs. Within this position he is – among others things - responsible for strategic development of the incubator. Furthermore, he is participating in the development of programs, with which the incubator supports its Social Entrepreneurs.

The incubator operates as a for profit business and has revenue generation as a target and therefore it demands a membership fee from its members, in order to improve the service and to offer more programs to better realize their mission of supporting its Social Entrepreneurs. He started the company from the green field and has now reached the late growth phase with it.

When we stimulated him to express his opinion, on what metrics are feasible for SMSEs to measure and to what extent SMSEs should measure their performance, considering their limits in skills and resources. He replied that the incubator itself - as the most SMSEs - is evaluated on the difference, it makes and what added value it delivers in comparison to its competitors on the market.

“When we sell our product, people look here (points on location)… what kind of office can I buy for this kind of money, but the other parts of our service are so hard to put a price tag on.”

He also sees that the resource equipment of most SMSEs does not enable them to measure such complex performance measures as impact. He imagined the resource endowment of his own company and concluded that there is a more differentiated perspective needed, in order to identify how satisfactory the resource endowment of a Social Enterprise is.

“You need to see it differentiated, right? Because there are unlimited possibilities and opportunities out there, right? And from this perspective we are heavily understaffed and underequipped. But on the things we are doing and the things we have here at the moment I would say we are doing pretty good, right?”

He further argued that the incubator itself measures its performance via a global survey that is conducted with the help of the members and analysed in the incubators’ holding. It combines information as in which fields the members of the network are active and gives an overview to what extent the members are contributing to the development of their fields with their outputs.

“We are conducting a global survey each year. So our way to measure our impact we go through our member and look which impact do they have, but because as you said our members are so diverse we are also clustering them into different topics.”

He further lined, out that he used the results of the survey to argue the impact of the incubator towards external stakeholders, for example for fundraising. It also became clear that
he uses the measures further to motivate the incubators’ members and to evaluate the success of decisions and investments that were made in the past.

“What is the outcome, what is the impact that we are doing ... I can show having all these members doing this and this.”

When we exposed him with quantified performance measurement tools for measuring social performance, such as the SROI or Social Balanced Scorecard, Raimondo refuted these measures and explained that from his perspective, these are part of an “old paradigm” of business thinking and not applicable for Social Entrepreneurship nowadays. Rather he sees a retrospective measurement such as telling of historic successes, as the only appropriate way to report a SMSEs performance.

“Employ and engage all the children and youth over the summer to make their new parks and playgrounds ... because they would do it either way [the municipality] so we gave them employment and gave them money and it was much more work and cost the same, but they showed so much responsibility for theirs region. When the janitor from the school came back after the summer he said that this was the first summer where there hasn’t been windows or other damage been done to the school during the summer ... how much did we save on this ... last time we spend almost 100.000 SEK and this time nothing [...] Measuring backwards is how we do now, but how do you measure this forwards?”

He strengthened his argumentation with social change, which can from - his point of view - barely be forecasted, due to multiple variables and different perspectives that are blurring the picture of the realized change.

The retrospective measurement was also part of his response on the request to list the important performance measures where he listed, that he mainly focuses on: the Social Entrepreneur as an individual and his values, the reasons for acting, the teams’ skills and competences, a business model and personal commitment.

“Who are you? As a person what are your values you bring into the community? Why are you doing this what are the reasons? What competences and skills do you have and how can you contribute to our community? And the third is what are you doing. Also they should make their living out of their work.

In his argumentation the business model generation was mentioned as negligible. He argues that the Social Entrepreneur as an individual and his or her background story is more important, than having a business model. As from his opinion these revenue-generating mechanisms can easily be added.

“It doesn’t matter what you do because if you are the wrong person...”

He also sees that the members of his organization are heterogeneous in their aims and approaches to reach them. Consequently the incubator has structured a survey, which measures the incubators own performance as well as the performance of its members.

First, the members become categorized, according to their social field of business and secondly, asked questions to assess their performance within their fields. Finally, the results become unified in the survey analysis and generate a picture on the outcome of the Social Enterprises that are unified as members of the incubator.
“Yes but then you need to have an specific topic you want to measure like housing [...] last year’s survey that asked our members in which field do you want to have impact so we can see x of our members work in this field and x in this but when it comes to the exact impact they have on a field it is harder for us to measure then we need to go in on topic based questions.”

He further appreciates the model of splitting the responsibility for performance measurements, because it reduces the workload for the Social Enterprise and he further argues that the combination of several outputs of Social Enterprises reduces the uncertainty on the more complex metrics such as social outcome and impact.

“…The challenge of being working and operating in a blue ocean you do not exactly know what is the best to do and what you are doing…”

The story of a commercial Business Development Manager (Sweden)

Kalle Detlevson is Business Development Manager for a commercial incubator, which gives support for start-up entrepreneurs. This incubator is in its mature stage already.

“Actually you can say that the measurement for the incubator is quite a lot like a social entrepreneur because we don’t have any revenue goal in ourselves. So our goal is quite much like this I would say.”

Kalle described that for a commercial start-up incubator, there are two aspects that need to be considered when measuring performance. On the one hand, he said, is the performance evaluation of the start-ups, which want to be part of the incubator. However on the other hand, the incubator itself has to report its own performance to their stakeholders.

He started to explain that the incubator is currently measuring itself with the input, in terms of the number of ideas that come into the organization and in which frequency meetings take place. Moreover they are measuring themselves on the amount of money that they obtain from fund raising.

“We try to find metrics that help us to get a really good impact. And the impact would be growth in the region and employment and taxes income for the municipality. Then that is our impact that we have quite much struggle to measure the impact, the impact is quite soft. So we try to give them stories and then we can show them numbers in input, output and outcome, because that is easier for us to measure.”

He further lines out, that the incubator has a structured way of how they evaluate the start-ups. The evaluation process does not always follow a prior determined sequence, but has a variety of steps and tools that can be used in order to address the heterogeneity between the start-ups, this is part of the incubators’ main DNA, as Kalle explained us.

In these first steps of evaluation, the incubator tries to look more at the entrepreneur as an individual, than at the business idea.

“Rather we evaluate the entrepreneurs, because normally it is really hard for us to see. How good is the idea, because, I normally take
Spotify as an example. It was hard to believe that someone could change the music industry.”

In the second step, Kalle explained, they still look mostly at the entrepreneur and whether the project or concept has, in the long run, the potential to be an incubator company and how it is complementary to other companies within the incubators’ network. Finally in step three, they become stricter in evaluating, as they in return also spend more time into fund-raising and potential partnerships. For this third phase, the incubator demands more hard measures in order to be able, to meet the information demand of potential investors. His experience showed that such measures are mostly financial statements and forecasts for three years.

“So here we have the entrepreneur, we have the market potential, normally it should have the potential to be bigger than 30 million SEK in turnover or revenue in 3 to 5 years.”

From Kalle’s perspective, it is hard to get good measurement metrics for start-ups. In particular, he explained, it is difficult to priory set up standardized metrics that could be useful for the evaluation of start-ups, as they have no history that can be measured or success stories they can be told, especially if they were not launched to the marked yet. He further remarked the high uncertainty in a start-ups’ development, which again makes it more difficult to set up appropriate measures that evaluate a start-ups’ future performance. Hence, he learned that in a start-up phase future performance can better be evaluated in terms of the customer feedback, motivation of the entrepreneur and complementarity of the team.

“It is really tricky actually, because normally in a start-up phase, it is quite hard to collect good metrics or measurements. So maybe that would be… I think it is the main part for measurements, are the team and the customers. So try to find good metrics that help you have the focus on the team development and customer development.”
Discussion

The following sections will provide answers to the four research questions of this study. These answers are based on the analysis and interpretation of the empirical results and connect them to the previously discussed frame of reference, in order to enrich the theory with the results of this study, to finally contribute to a new and more comprehensive Performance Measurement approach for SMSEs.

The results of the conducted interviews with Social Entrepreneurs and their stakeholders did provide sufficient data to answer the research questions of this study, which will be exposed throughout the following sections.

5.1 Learnings SMSEs can obtain from commercial market regarding performance measurements

Based on the narratives we were told, we found that the terminology of the commercial marked side, for example “cash flows” or “net present values”, do indeed not (yet) fit into the language of Social Entrepreneurship. We further found that some Social Entrepreneurs judge this language as not the right one, when dealing with social context. The commercial business language is rather perceived as part of an “old paradigm” of thinking that was manifested by big cooperation’s and cannot be applied on Social Entrepreneurship.

Our results indicate that Social Entrepreneurs refuse the language of traditional business measuring because they rather see qualitative measuring in form of storytelling, better addressing the social purpose and art of the company. Further and in alignment with Dees (1998) this reluctant behaviour of Social Entrepreneurs towards the classical business terminology for financials and performance measures, can be explained with the challenges Social Entrepreneurs face, for example to maintain the focus on their social mission while parallel dealing with the performance of the organisation with strongly limited resources.

This thought was also taken up by Arvidson et al. (2010), who conclude that the fear of Social Entrepreneurs of losing their social focus, is one reason why many SMSEs do not want to measure their performance in a quantitative way. This causes a language barrier between SMSEs and their commercial stakeholders and reduces the ability of SMSEs to effectively communicate their performance towards these stakeholders. Subsequently, it becomes harder for SMSEs to convince commercial stakeholders of their performance. This is also in line with Bugg-Levine et al. (2012), which confidentially explain that as long as the world of Social Entrepreneurship does not come up with a transparent and common language towards potential commercial stakeholders, they face the shortcoming in obtaining investments from the commercial market.

The results of our study show that many commercial start-ups - with comparable resource endowment – are able to deliver quantitative financial statements and indicators, as well as qualitative measurements without losing their purpose out of sight. Therefore, what Social Enterprises could learn from the commercial market is that the fear of losing the focus due to measurements, is rather a matter of prioritizing and therefore within the power of control of the SMSEs.

Promisingly, the results of this study shows also that Social Entrepreneurs, which reflect on themselves as wholesome entrepreneurs, for instance rather use the expression “business case” instead of “sponsorship” to describe their relationship with commercial stakeholders. We see this as indication that social and traditional entrepreneurship are steadily merging
together. This implies that the language barrier and the related prejudices on both sides decrease, so that it can be expected that Social Enterprises and their commercial stakeholders will be able to work together in a more common language. Subsequently, SMSEs will be more able to address their performance towards commercial stakeholders.

5.2 Limitations in skill set and resources of SMSEs

Regarding the limitations, SMSEs face towards measuring, the frame of reference, especially highlights that Social Entrepreneurs do often give high priority to their core activities and on the other hand neglect to measure these core activities. The literature mostly agrees that the shortage in human capital, which SMSEs often struggle with, tremendously contributes to this circumstance (Barraket & Yousefpour, 2013; Bull, 2007).

In our study, we found similar outcomes. However, the shortage of human capital was not always given as the main reason, why social entrepreneurs spend minimal time on measuring their performance. Therefore, we argue that more and deeper explanation of why Social Entrepreneurs do not prioritize to measure their performance is needed.

We recognized that all Social Entrepreneurs reported about shortcomings in their resource endowment, especially when seen relatively to the possibilities, which the emerging market for Social Entrepreneurship provides. Our results are further in line with Barraket and Yousefpour (2013) and Bull (2007) and highlight the manifold tasks a Social Entrepreneur must handle nowadays, but with the additional side condition of facing strong monetary constrains and negative influences on the entrepreneurs’ private live. Therefore, it is just logically that all our interviewed Social Entrepreneurs gave words about prioritizing in their resource allocation.

However, if taken our results into consideration and reflecting on the Design-Implementation-Use-Modell of Brem et al. (2008), we see that SMSEs often have a limited overview of what to prioritize on, when setting up performance measurements. It further becomes clear, that many Social Entrepreneurs are also limited in their business administration knowledge and therefore the scholars’ way of looking at complex performance measurements might not be appropriate for them. Subsequently a need for a new way of looking at performance measures can be seen.

We furthermore conclude that there are definitely elements out there, which could be included into a performance measurement system. For example some researchers agree that the logic chain of measurement horizons including input, output, outcome and impact is directly applicable for SMSEs (Ebrahim & Rangan, 2010; Bagnoli & Megali, 2011). However, these elements are barely suitable for SMSEs as the implementation in their full bandwidth is highly knowledge and time intensive - two resources SMSEs are very limited in. Our results therefore agree with Brem et al. (2008) that most SMSEs additionally lack the technical infrastructure and information and reporting systems that would be necessary, in order to measure all the dimensions of the logic chain.

5.3 Feasibility of Measuring for SMSEs

Based on the results of our empirical data collection we found that SMSEs are able to measure their performance based on surveys.
These surveys were in all cases based on the activities and output of the SMSE. The decision to measure within this measurement horizon is aligned with the recommendation of Ebrahim and Rangan (2010) to concentrate on short-term measures. We further found that measurement and analysis of measures within this horizon is in the most cases feasible - even for SMSEs with limited resource endowment.

**Soft Measuring**

The findings of this study imply that the results of surveys on activities and output, complemented with information about the team composition, personal commitment of the entrepreneur and the USP of the SMSE are mostly operationalized into (success) stories, which are communicated as performance indicators to external and internal stakeholders.

In contrast to strict numerical or quantitative measures as often seen in commercial companies, these “soft” narrative measures, for our interviewees, have the characteristics of a feasible, easy to achieve, measurement. In addition, we see the benefit that they also do justice to the fear of social entrepreneurs to lose their social focus due to hard quantitative performance indicators. Moreover, narrative measures are also an appropriate answer to finance-orientated target indicators, which have been criticised for encouraging short termism (Bourne et al., 2000; Brem et al., 2008).

**Quantifying soft measures**

Subsequently, our findings are in line with Millar and Hall (2013), as she said that the performance of SMSEs is focused on soft outcomes, such as happiness and that it is hard to quantify those. The important question is however, whether it is needed to quantify the soft measures? Our results show that stakeholders, except from the traditional banks, are often satisfied with these “soft measures” to a certain extent.

Barraket and Yousefpour (2013) strengthens our findings, claiming that the most funding decisions are less made on a basis of a company’s performance data and more on the funder’s perception of the reputation of the company (Barraket & Yousefpour, 2013). Hence, we would answer the question by saying that quantifying soft measures is not necessarily needed and therefore we would like to rephrase the question into, to what extent can a Social Entrepreneur measure its performance, without quantifiable measures, taking the requirements of its stakeholders into consideration?

We see rephrasing this question as important, since it should not be forgotten that the literature agrees on the statement that in order to build up a reputation, legitimacy must be built up and this can only be done by proving performance (Barraket & Yousefpour, 2013; Bagnoli & Megali, 2011; Bridgstock et al., 2010; Arena et al., 2014; Perrini et al., 2010). Therefore it is interesting to see that our research found that performance can, to a certain extent, also be proven in a narrative way, consisting of soft measures as mentioned previously in this section.

**The Social Return On Investment (SROI)**

As we found in the literature, the SROI is an important measurement tool for varying stakeholders, which contributes to a better understanding of what the SE is contributing to the society and what it is worth (Brugg-Levine et al., 2012; Lehner & Nicholls, 2014; Díaz-Foncea & Marcuello 2012; Bridgstock et al., 2010). However, as became clear before, our findings show that quantified measures such as the SROI are not necessarily seen as important for the Social Entrepreneurs. Nevertheless, our finding of minimal interest and de-
sire for such a standardized and quantified tool might also derive from a lack of network or reporting systems, which are necessary for calculating the SROI. Moreover, using the SROI is found costly, since it requires a certain level of skills and time, about which can be said that SMSEs general have a lack of. Therefore we cannot, with confidence, say that the SROI is not important for SMSEs, especially as Barraket and Yousefpour (2013) and Millar and Hall (2013) further line out those performance measurements are necessary to foster internal organizational learning. The social impact or the effectiveness of an investment can only be evaluated, if a company measures the investments social or financial performance over time.

Our research rather found that it is not yet present in the early stage of SMSEs. The specific reasons for this might be the one we line out, however this could not clearly be derived from our empirical data.

Qualified Narratives

In conclusion to what is feasible for SMSEs to measure its performance, our result shows that retrospective measuring is most applied nowadays. This finding is in accordance to the literature. Bangoli and Megali (2011) state that additional value in terms of positive effects, which are brought from activities that are undertaken to achieve the intended output, are only measurable in a retrospective way. This can be done either internally, as achievement of a mission or certain objectives or externally by customer or user satisfaction. In this study, we would bring this type of measuring for SMSEs one step further, which can be expressed as narrative measuring. SMSEs often have a story to tell, which is based on what they have undertaken and achieved so far. Presenting these historic events and experiences with customers or partners in a narrative, is what SMSEs are good in, since they have important and exiting stories to tell. In addition to this and given the limited resource equipment of SMSE, narrative measuring is suitable for SMSEs. As our results strongly show, this kind narrative measuring is sufficient till a certain extent to convince stakeholders that this SMSE is making a difference to the society. It serves well as a communicable performance towards internal and external stakeholders. Therefore, narrative measuring plays an unexpected, but sufficient and feasible way of showing performance to stakeholders.

5.4 Common elements or dimensions within the heterogeneous world of SEs

In order to contribute towards a more comprehensive performance measurement approach for SMSEs, we agree with Bugg-Levine et al. (2012) and see the urge of looking at the common elements within the heterogeneous world of SMSEs.

Our findings show that the Social Entrepreneurs we interviewed were aware of the distinction between the measurement horizons input, output, outcome and impact as proposed by Bagnoli and Megali (2011). This finding is in a direct contradiction to Bourne et al. (2000), which stated that Social Entrepreneurs are often not conscious of measurement approaches and effective time horizons for performance measurement. We explain this difference in result, with the time in which Bourne et al. (2000) conducted their study. We assume that in the past fifteen years since their study was executed, the knowledge about performance measurements has further developed and spread. We highlight the importance of this development, because we found that the performance of all our interviewees can be ex-
pressed within these four measurement horizons, regardless differences in other points such as the social field of business.

As a further common element, our results clearly show, that the output measurement horizon can be standardized, to qualified rounded narratives - even within the heterogeneous world of SMSEs. Therefore, we go beyond the sense making of Ebrahim and Rangan (2010), which describe that the output measurement horizon consists of distinct elements without considering this common aspect. In addition to this, we see the Social Entrepreneur in itself, as a common appearance as well. For example, we found the personal commitment – values and reasons, as typical characteristics for the Social Entrepreneurs’ involvement in the SMSE.

Even though the world of Social Enterprises might be heterogeneous, we see a homogeneous process that might be applicable to all SMSEs. We found a similar development process for various Social Enterprises, which is to create legitimacy among stakeholders, in order to foster the scaling process. This is in line with Millar and Hall’s (2013) finding, that external legitimacy is the first step for a SMSE in order to build up reputation and to become more attractive for future funders or skilled employees.

Our result further shows similarities with Meadows and Pike’s (2010) statement, that all SMSEs have in common, that they are accountable for their action and in general less financial independent, in particular, since SMSEs are often rated low or medium in terms of organizational and financial capacity. Therefore, SMSEs indeed have a need for rounded measurements to communicate their performance to external stakeholders.

5.5 Dividing the accountability for measuring of performance of SMSEs

Our findings support the request of Somers (2005) and Ebrahim and Rangan (2010) that Social Entrepreneurs must know, what their precise input, output, outcome and impact are. Our findings actually give indication, that Social Entrepreneurs are conscious of the difference between these expressions, as all interviewees were aware of their meaning.

This can be seen as a fulfilled precondition for dividing the accountability of measuring the performance of SMSEs, into the different time horizons. By doing so, the Social Entrepreneur would be able to reduce the workload, which comes along with measurement and could concentrate on measurements that are achievable, given the SMSEs’ resource endowment. Based on the results of this study, we would suggest input and output as the most suitable measurements for SMSEs, especially since they are in general easier to compute, than the more complex measures of the higher measurement horizons. Subsequently our findings are in line with the research of Bagnoli and Megali (2011). The more complex, and harder computable measurements of outcome and impact, would then be outsourced to a framework institution for example an incubator or even a higher entity that possesses the needed resources and capabilities to measure them.

However, a model for a performance measurement approach, which picks up on these thoughts, should also consider that, especially in light of convincing other stakeholders of their performance, SMSE have to prove their performance in a comprehensive way. Therefore a concentration of measurement to the lower measurement horizons (input and out-
put) can bring the risk to fail to convince funders and other stakeholders, that the SMSE is making a true difference (Ebrahim & Rangan, 2010). We agree with Ebrahim and Rangan, (2010) that with simple quantitative metrics on input and output alone, a SMSE cannot convince funders and other stakeholders, that it is making a true difference. However, our findings further imply, that external stakeholders of SMSEs, such as incubators, are aware of SMSEs’ constrains in resource endowment. This awareness is seen as the reason why these stakeholders widely accept, that a SMSE can prove the difference it makes in an adequately way, when it combines quantitative performance measures of in- and output with “soft” measures to narratives, which tell about the true entrepreneurial nature of the SMSE and prior successes it achieved.

5.6 A comprehensive Performance Measurement approach for SMSEs

By combining the considerations that were lined out before, we want to discuss a more comprehensive measurement approach, as it was generally requested by Arena et al. (2014). Our approach takes up the contingency model of Ebrahim and Rangan (2010) and enriches it with different entities, which play a role in the landscape of Social Enterprises. Furthermore we added the distinct measurement horizons input, output, outcome and impact to the aforementioned model.

![Figure 3 Measurement Approach for Social Performance](image)

We see throughout our discussion, that the in- and output measurement horizon is most feasible to measure for SMSEs, but also that quantitative measures alone are not sufficient in proving that a SMSE differentiates from other companies on the market. We therefore suggest that SMSEs should qualify the measurements they deliver to their stakeholders by also reflecting on softer measures as for example personal commitment, complementarity of the team and the uniqueness of the business model. Our findings in particular, show that
the combination of qualitative and quantitative measurements, presented in qualified narratives, is sufficient to prove performance, in order to get a membership in a framework institution, such as a social incubator.

Nevertheless, we want to highlight that SMSEs in the later scaling process must provide outcome facts towards their more demanding partners or investors. In this scaling phase, Social Entrepreneurs face a stronger need for measuring harder facts than qualified narratives, resulting from their pressing stakeholders. Our results line out that SMSEs who are members of an incubator, get support in measuring the additional value that is generated by the activities undertaken by the SMSEs.

The framework institution themselves hereby utilize their overview perspective, as the connecting point or hub for SMSEs and connect their outputs to a bigger picture – the regional outcome of the connected work of all SMSEs within the framework. This outcome is mostly further divided in different social business fields for example unemployment, housing or health care etc. With the information about the outcome of their SMSEs divided into the social business fields, they can deliver precise performance measurements on an outcome level and apply for funding to which the SMSEs alone had no access to.

The practice showed that these funds were then reallocated to SMSEs within the framework, in order to give them the possibility to further grow and expand, and finally to build up the capabilities to measure on an outcome level themselves. Thereby do the framework institutions solve the issue that conservative investors require accurate performance figures, which SMSEs, due to their lack in experiences and knowledge, mostly cannot deliver.

If we move up to the impact level, we found that even framework institutions struggle with measuring and claiming a certain impact on a social business field. Therefore, for this highest level of the model, we want to suggest two approaches.

First our research showed that framework institutions cooperate and exchange information with each other. We therefore suggest to expand these cooperations or to build a holding structure for these frameworks institutions. By doing so, the holding would be able to make use of the outcome metrics of the frameworks and combine these to their overall impact on a wide special area and for a certain social business field. In the model this approach is marked with the grey dashed line.

Our study further implies that competition for the most promising SMSEs is building up between social framework institutions. We see this competition in direct contradiction to the approach we have mentioned before and therefore we want to introduce an additional, alternative approach. If an extended cooperation as suggested before is not an option, the cooperation between social framework institutions and superior institutions, as for example municipalities, governments or NGOs, could be extended. In this case the superior institution can support the framework institution with more valid research, in order to prove their impact.

But it will be up to further research to investigate the development of the dynamics of competition and cooperation on the social market.

With our measurement approach in mind, we can say that the output measurement horizon can be standardized, to qualified narratives - even within the heterogeneous world of SMSEs. Therefore we go a step further than Ebrahim and Rangan (2010) whom describe the input measurement horizon as separate elements, without this rounded aspect, we are adding.
Moreover this performance measurement approach gives an answer to the objections of Arene et al. (2014) on Ebrahim and Rangan’s (2010) contingency framework, which fails - from Arene et al. (2014) point of view, to address the varying stakeholders and their different information requirements. In doing so, we can say that these stakeholders have in common that they require in- and output measurements, which can be satisfied by all Social Enterprises, using qualified narratives, as our findings demonstrated.
6 Conclusion

In this study, we explored the phenomenon of performance measurement for SMSEs. We started this study with a frame of reference, which reflects the challenges and current state of this exciting field. Our pragmatic and interpretivistic view on this research has adequately answered the research questions of this study and gave important meaning to our empirical results.

First of all, this study has contributed to what SMSEs can learn from commercial start-ups, in order to reduce the barrier between SMSEs and their commercial stakeholders. Furthermore this study has shown the bright side of the steadily merging fields of social and traditional entrepreneurship.

Moreover, this study has given indication of what the limitations of SMSEs are nowadays. Further, this study strengthened the common assumption that all Social Entrepreneurs face shortcomings in their resource endowment. Our study highlighted that this is just logical, as the SMSEs’ limitations in resources endowment must be seen relatively to the almost unlimited possibilities the emerging social market is offering nowadays.

Most importantly, with this study we replied in particular to the literature, which state that due to the SMSEs’ limitations, they are barely capable of measuring their performance in a valid way. By doing so, we concluded that SMSEs definitely are able of measuring their performance in an adequate way. For example, we showed that the performance of SMSEs is often demonstrated by using narratives, which are based on quantitative measures regarding the SMSEs’ in- and outputs and qualitative surveys concerned with historical events, information about the team, personal commitment of the Social Entrepreneur and the uniqueness of the SMSEs’ business model. Therefore and as one of the strongest findings of this study, we argued that the measurement of performance, within this short term horizon and in a narrative way is feasible, even for SMSEs with limited resource endowment. In addition to this, we clarified the benefit that this type of measuring also does justice to the fear of social entrepreneurs to lose their social focus due to hard quantitative performance indicators.

Furthermore, this study has given an understanding to the commonalities within the heterogeneity of performance measurements for SMSEs. Our findings showed that the Social Entrepreneurs we interviewed were aware of the distinction between the measurement horizons.

In particular, a strong finding of this study is that within the lower measurement horizons, to the limited extent of in- and output, performance can be better proven in a narrative way than in quantitative figures only. We found that these narratives – when well structured and grounded in data - are sufficient as proof of a SMSE’s performance, in order to become a member of a framework institution. The more complex, and harder computable measurements of outcome and impact, would then be taken care of by the framework institution, for example an incubator or even a higher entity. This is because we found that they mostly possess the needed resources and capabilities to measure within these top-level measurement horizons.

With its conceptualized empirical results and frame of reference, this study has contributed towards an effective and suitable performance measurement approach. In this approach the points we emphasized in our discussion fell together and shaped a comprehensive picture of the reality within the world of Social Enterprises.
7 Challenges, Limitations, and Future Research

7.1 Challenges

The diverse and still blurred world of Social Enterprises brings along the difficulty of doing research into a specific phenomenon of Small and Medium sized Social Enterprises (SMSEs). In order to understand the meaning of a certain phenomenon within this field, it is required to include the whole spectrum of attributes that are related to the Social Enterprises. In spite of the heterogeneous world of Social Enterprises, several researchers have contributed to a more defined definition of it, as lined out in our frame of reference (Dees, 1998; Boschee & McClurg, 2003; Defourny & Nyssens, 2006; Peredo & McLean, 2006; Shaw & Carter, 2007). In this study we found the importance, as stated by Bygrave and Hofer (1991) that a "clear definition is where good science starts". However in this study, we built on the recent literature in the field of performance measurements of SMSEs. Nevertheless, we found a lot of unclearness within this phenomenon.

Consequently, the research we conducted was challenging and it required critical thinking from us - as the researchers. We had to conduct interviews with various stakeholders and SMSEs themselves, in order to get input from the various businesses that are cooperating with SMSEs, but also include commercial businesses, where SMSEs maybe could obtain learnings from. This in particular, required a thoughtful approach for conducting our research and for keeping the focus upon the exploratory purpose of this study, which is to assess and get new insights in the phenomenon of measuring performance for SMSEs. Moreover, it was challenging for us - as the researchers, to process the various perspectives of the various interviewees and to bring our empirical data into a conceptualized level that truly addresses the issues regarding performance measurements for SMSEs.

Furthermore it was challenging to deal with determined individuals that claim to say what should happen in order to solve the problem of performance measurements for SMSEs. Since we conducted limited interviews, we had to keep in mind that we cannot generalize too much with our findings, based on one interviewee’s opinion.

Therefore, in conclusion the challenge that we faced while conducting this research was to critically think about whether we were on the right track with our interpretations and practical contribution of this study.

7.2 Limitations

For this study, we acknowledge that there were some important limitations that have to be taken into consideration regarding the data collection and the interpretation of our results.

First of all, since we collected our empirical data through semi-structured interviews with individuals that told narratives based on our stimuli and their experience, we face the common limitations that such qualitative self-reporting techniques typically bring with itself (Kvale & Brinkmann, 2009; Breugst, Domurath, Patzelt, Klaukien, 2012; Hahn, Frese, Binnewies & Schmitt, 2012). We especially see a limitation in the fact that the narratives we were told reflect only a single individual’s opinion on performance measurements and do not allow the elaboration of a complete picture of the portrayed story. Nevertheless, we see our choice as the most appropriate in order to fulfil the exploratory purpose of this study as we agree with Robson (2011) and King (2004), who claimed that semi-structured inter-
views are highly relevant for an exploratory study, in which “different levels of meaning need to be explored”.

Secondly, we can say that our results might be biased by the fact that we conducted relatively few semi-structured interviews. As we explained in our choice of cases, we chose quality above quantity and aimed on less semi-structured interviews in order to obtain more complete narratives from our interviewees. Nevertheless, we followed the widely accepted “magic number 12” as a target for our choice of cases, in order to secure ourselves with a sufficient number of interviewees (Morrow, 2005). We finally conducted six interviews that led to one of the strong parts of this study, which is that we found valuable meaning within the narratives of our interviewees, and together with the frame of reference we could conceptualize this study towards an effective and suitable performance measurement approach for SMSEs. As we explained, we followed the rationale of conducting relatively few semi-structured interviews, in order to reach a deeper understanding of the phenomena, rather than finding frequency in our results. Therefore, we agree with Smith (2000), “Whereas explanations require empirical verification, interpretations do not”. With this in mind, we want to emphasize that our findings might be biased by the limited interviews that we conducted, but that empirical verification was not appropriate within this study.

We further conducted multiple interviews with different Social Entrepreneurs and stakeholders in order to decrease the influence of this limitation and to gather a multifarious picture on our topic. However as a limitation of this study, we could not conduct interviews with strictly commercial investors or commercial entrepreneurs due to prioritizing within our choice of cases given the limited timeframe of this academic course.

Furthermore, we see that conducting the research solely in Sweden might have biased the research due to socio-economic aspects, since Sweden is a developed country (United Nations, 2014). This might have significant influences on the findings in our research and therefore, the findings of this study cannot be applied to other countries than Sweden. Additionally to this, we see the geographic locations of our interviews as a limitation, particularly since all the interviewees were chosen from bigger cities in Sweden. Consequently, the Social Entrepreneurs from the rural areas might have given a different picture to the findings of this study.

One of the general accepted limitations of qualitative research is that findings often cannot be generalized due to the lack of statistical testing (Atieno, 2009). Not surprisingly this also applies to our research. We have conceptualized our findings, but the Reader should generally take into consideration that the findings of this study cannot be generalized.

### 7.3 Future Research

With this research we want to inspire research to engage further into to the emerging field of Social Enterprises, as we see it as an important topic that will shape our society dramatically within the next decades. The following paragraphs will suggest some further research topics we found contributing to the topic based on our research.

For the measuring of impact, our model suggests that the social entrepreneurial frameworks should cooperate in a more intensive way. However, as mentioned before, the field of social entrepreneurship is in an early stage of development with low market saturation, but when the market saturation grows, the increasing competition for SMSEs between
framework institutions might reduce their willingness to cooperate. Therefore, it will be up to further research to investigate the competition and cooperation dynamics on the social market.

A further question that can be derived from the proposed model and the underlying general principles, might be regarding the “measuring” of the input and output. For example, to what extent does telling narratives and measuring “soft” facts fit into our present perception of a performance measurement system?

Generally, the transferability and generalizability may also be interesting for future research; so possible questions could be:

How is the narrative way of measuring performance acknowledged in countries outside of Sweden that are for example less developed and/or more conservative? Future research might investigate, whether the proposed model finds recognition in counties with different economic and social conditions than Sweden.

However, it might also be exciting to illuminate if the problem statement described within this study is applicable within different economic contexts. In particular, this could be researched if the model we suggested is also applicable for commercial start-ups, in order to do an early phase evaluation of their potential?

And last but not least does the phenomenon of Social Entrepreneurship show that the borders between the private and the public economy are merging and the composition of our society is in a change? Also new forms of financing might emerge, which require understanding of how to meet their requirements in the form of performance measurement in the future.
List of references


