

A Framework for the Critical Analysis of Social Enterprises

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Our (SEI) framework for evaluating social enterprises is based on eight general criteria that test an enterprise for whether it is in fact a social enterprise, and then further measure whether the social enterprise is in fact a high performance one. In short, high performance social enterprises are motivated first by social impact (but may use profit as a means to that end) and built at the grassroots level, are innovative in how they achieve that impact, are committed to measuring and evaluating their impact, are designed and operate in a sustainable and transparent way, and are replicable and/or scalable.

1. Is the founder of the enterprise **motivated by social impact**?

Or is he or she motivated instead by profit or some other reason (reputation or recognition, for example)? It is a requirement for a social enterprise to be driven first and foremost by social impact. For profit enterprises can be social enterprises, if they place profit behind impact in their model and strategy.

2. Was the enterprise built based on **local partnerships**?

All too often well intentioned people create projects and enterprises to solve problems that they connect to emotionally, but haven't experienced directly. Good intentions to help others are important, but the best enterprises are those that are built by or in close collaboration with local people or organizations as partners, to address their problems in a way that they can truly "own" at a grassroots level.

3. Has the appropriate **business model** been chosen for the enterprise?

Those that use profit to create sustainable impact are known as social businesses, while those that use a not-for-profit model are in the broader category of social enterprises, so long as they meet the other criteria.

4. Is there a meaningful and lasting **innovation** at the core of the enterprise, one that is driven by social impact?

If there is one or more socially driven innovations, then it may be a social enterprise. Many non-profits (and for profits) are not innovative. Innovation is what makes for sustainable entrepreneurship.

5. Does the enterprise **measure and evaluate** its social impact?

A commitment to measurement and evaluation is a hallmark of the best social enterprises. You can't manage for impact if you don't know what your impact really is, or isn't. The first and most important measure is whether the work is cost effective –what is the relative cost of the intervention compared to its real impact? One measure of this is the "cost per life saved" tool.

6. Is the enterprise **sustainable**?

There are three kinds of sustainability: operational, financial and environmental. Sustainability is the term for enterprises that will last, and be around for the long-term. Operational sustainability refers to managerial and human capacity, while financial sustainability refers to having the financial resources to meet strategic impact goals. Not-for-profit enterprises often struggle with financial sustainability because they are dependent on donor generosity. Often social businesses are better positioned for sustainability, because they are generating revenue as they pursue social impact objectives. Environmental sustainability for social enterprise is often heightened by the reliance of many poor people, like developing world farmers, who are dependent on predictable climate conditions for their very survival.

7. Is the enterprise **replicable**, and/or **scalable**?

Replicable ones can be copied and started in a different place, scalable ones are built for growth and greater impact. The best social enterprises are both replicable, and scalable.

8. Is the organization **transparent**?

Transparency refers to the open disclosure of all relevant information about an organization's activities, finances, compensation, performance and impact. A social enterprise should offer to its stakeholders the kind of disclosure that the best publicly reporting enterprises offer to shareholders, in easy to understand language with clear, concise and well organized information.

