

**SOCIAL ENTREPRENEURSHIP – A PRACTICAL  
APPLICATION IN NOT-FOR-PROFIT ORGANIZATIONS**

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## **Abstract**

Social entrepreneurship is a recent concept. It's seen as having the potential to solve society's problems and issues. However, there's no consensus found on dedicated literature on how to measure impacts and outcomes of this phenomenon nor how to assess and evaluate it, which leads to a hinder in the field's development. This project intends to apply a model to measure outcomes and impacts, applied to a non-profit organization.

Literature review includes topics such as what is social entrepreneurship, its limitations, a comparison with business entrepreneurship, the social entrepreneur and it's motives and how to attribute value and measure the social enterprise.

The Impact Value Chain was chosen from a group of models found in reviewed literature. Deriving from the fact that this is still a recent concept and hence, as authors state, common ground is still narrow, literature regarding evaluation models for social enterprises was found to be scarce and disperse.

With the application of Impact Value Chain tool to a non-profit organization, there is an intent to separate social entrepreneurship from business entrepreneurship when it comes to metrics, creating and applying custom tools that bear in mind the specifications of the venture dealt with.

Recommendations made in order to further develop this field of study include the learning of social entrepreneurship by managers and decision-makers and creation of measurement models that fit the specifics of the enterprise they intend to assess.

## **Resumo**

O empreendedorismo social é um conceito recente, visto como tendo potencial para resolver os problemas que afectam sociedades actuais. No entanto, não há ainda consenso na literatura sobre como medir os seus impactos e resultados nem como avaliá-lo, o que conduz a um entrave na evolução deste tema. Este projecto propõem-se a aplicar um modelo para medir resultados e impactos numa organização sem fins lucrativos.

A revisão de literatura inclui tópicos tais como a definição do conceito de empreendedorismo social, as suas limitações, uma comparação com empreendedorismo, o empreendedor social e os seus motivos e como atribuir valor e medir a empresa social. O modelo escolhido entre um grupo de outros encontrados na literatura revista foi o Impact Value Chain. Dado que este é um conceito recente e, como os autores afirmam, não há ainda concordância sobre as fundações básicas do tema, a literatura referente a modelos de avaliação para empreendedorismo social é escassa e difusa.

Com a aplicação da ferramenta Impact Value Chain a uma empresa sem fins lucrativos, demonstra-se a intenção de criar uma separação entre empreendedorismo e empreendedorismo social no que toca às métricas, criando e aplicando modelos desenhados à medida da empresa que se pretende avaliar, tendo em conta as suas características e especificações.

Com o intento de promover o desenvolvimento futuro desta área, as recomenda-se a aprendizagem do conceito de empreendedorismo social por parte de gestores e decisores e a criação de modelos de avaliação que se ajustem à empresa que se pretende avaliar.

**Keywords: Social Entrepreneurship; Impact Value Chain.**

Social Entrepreneurship – a practical application in non-profit organizations

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## **Executive Summary**

O conceito de Empreendedorismo Social, apesar de recente, é uma promessa que apresenta o potencial para solucionar alguns dos problemas mais prementes das sociedades modernas. Encontra-se em franca expansão, reunindo cada vez mais a atenção dos actores sociais e da comunidade científica, quer ao nível do desenvolvimento de novos projectos quer ao nível dos avanços na teoria, respectivamente.

Precisamente por ser uma área ainda em expansão e de origem recente, à luz da revisão de literatura efectuada não foi encontrada uma definição de empreendedorismo social unanimemente aceite, o mesmo acontecendo com muitos dos conceitos que envolvem o tema, estando ainda envoltos em discussão na comunidade científica. Incluindo-se neste conjunto de conceitos estão os modelos de avaliação e medição de impactos para o sector social – sendo que, na revisão efectuada, esta componente se mostra ainda em fase embrionária, sendo escassas as propostas apresentadas e a sua generalidade proveniente de várias réplicas adaptadas de projectos com fins exclusivamente lucrativos, ou que consignavam ao capítulo social apenas uma pequena parte da sua missão. Tal parece ser insuficiente e um entrave ao desenvolvimento de um campo que ainda procura consensos na criação das suas fundações; reflectindo-se este problema na prática, onde muitos projectos que se enquadram no âmbito do tema empreendedorismo social procuram ainda aceitação por parte do público e dos investidores, devido à escassez de modelos de avaliação de impacto que permitam estabelecer com rigor e credibilidade uma relação de causa-efeito entre a actividade do projecto e o que dela resulta, directa ou indirectamente, para a sociedade e a comunidade que o rodeiam.

A revisão efectuada tem como objectivo entender e aprofundar o conhecimento do empreendedorismo social mas não só, contemplando também as áreas à sua volta que levam ao seu aparecimento e fenómenos que funcionam como facilitadores/bloqueadores do desenvolvimento de tais projectos. Como tal, abordam-se a definição do conceito de empreendedorismo social e as suas limitações, a comparação entre empreendedorismo e empreendedorismo social, o empreendedor social e suas motivações, rede de contactos e complexidade, credibilidade e comprometimento e as métricas e medições para avaliar os impactos sociais das organizações, com especial ênfase na Impact Value Chain.

Daqui decorrem as questões que pautam a pertinência deste projecto e às quais visa dar resposta: “O modelo de empresa social escolhido é influenciado pelo propósito da sua criação e/ou pela sua missão?”, “Como e porquê escolher determinada metodologia de avaliação de impacto em detrimento de outras?” e, finalmente, a questão central deste estudo, derivada das duas anteriores – “Como escolher uma ferramenta de avaliação de impacto tendo em conta as características e propósitos da empresa social a que se destina?”.

No seguimento das questões levantadas pela revisão teórica efectuada e, ao mesmo tempo, respondendo ao desafio colocado pela Santa Casa da Misericórdia de Lisboa na pessoa do Dr. Tito Damião, Director da Unidade de Cooperação e Relações Externas do DEES (Departamento de Empreendedorismo e Economia Social) – SCML, escolheu-se uma abordagem prática para este projecto, com o objectivo de conhecer a realidade das organizações que praticam o empreendedorismo social, tendo como exemplo a Santa Casa da Misericórdia de Lisboa e o programa Latitude. Pela relevância do tema ao qual visa dar resposta - o desemprego - o Latitude afigura-se como sendo um exemplo de empreendedorismo social numa organização sem fins lucrativos.

O Latitude tem como objectivo dotar desempregados e pessoas em situação de emprego precário de competências para a empregabilidade, através de um método de capacitação de empregabilidade em grupo ou individual que foca os *key-skills* indispensáveis para o enriquecimento do cliente, acrescentando valor também ao empregador, sendo o cliente também acompanhado em processos de recrutamento e selecção sempre tendo em vista a obtenção de emprego no final do processo.

Como tal, após o estudo da estrutura e do programa em causa, partiu-se para a aplicação do modelo Impact Value Chain ao Latitude de forma a identificar os *inputs*, as *activities*, os *outputs* e os *outcomes*, com o objectivo de chegar aos impactos como definidos na teoria que aborda esta questão. Uma vez que o programa ainda não se encontra em actividade e funcionamento, não é possível estabelecer os impactos na realidade, por não ser possível determinar o que a eles conduz. Como tal, o que se pretende é deixar uma instrumento pronto para aplicação contemplando as ferramentas que estarão incluídas no Latitude e que servirão para estabelecer o controlo dos *outputs* e, assim sendo, estabelecendo as bases para determinar os *outcomes* e, posteriormente, o que teria acontecido se o Latitude não existisse, de modo a ser possível calcular os impactos. Conclui-se então que a ferramenta Impact Value Chain é aplicável ao programa Latitude dadas as especificações estruturais do mesmo, o problema que aborda e a forma como o

impacto é demonstrado nesta métrica. Apenas persegue objectivos não lucrativos, ou seja, a criação de riqueza social não se manifesta sob forma económica directa, não representando um fluxo financeiro de entrada no programa; no entanto, representa um acréscimo indirecto de valor para a sociedade, ao dotar desempregados de competências chave para o empreendedorismo e emprego criando valor para os futuros empregadores. Por isso, a avaliação de impactos causados pelo Latitude deve ser posta em evidência para a Santa Casa da Misericórdia de Lisboa, que tutela o programa e, portanto, o financia, e para outros *stakeholders*, como os colaboradores, participantes/clientes, parceiros estratégicos e, dado tratar-se de um organismo sob a tutela do Estado, da opinião pública em geral.

## **1. Introduction**

As it is widely recognized and acknowledged nowadays, societies have serious difficulties dealing with structural issues caused by the evolution of their economical systems and its social impacts. This leads in many cases to the marginalization of some population layers, increasing social gaps, creating inequalities and barriers to equal opportunities. Unemployment strikes as an example, by being a phenomenon that experienced increased growth and proportional attention by the public especially in the last 5 to 10 years.

Social Entrepreneurship emerged as an upshot to provide solutions to these issues, acting where neither governments nor private sector do. Although its existence has been reported far back, the definition of the idea is recent and still a source of disagreement among the dedicated literature. In fact, there's still a lack of consensus in some determinant topics of this subject, being one of them the metrics and systems of measurement of what's been achieved.

In the light of this exact problem a challenge was presented by Santa Casa da Misericórdia de Lisboa, by the person of Mr. Tito Damião, which consisted in helping to create an impact assessment model to the Latitude Program, a pioneer initiative that addresses the unemployment issue, and, as most social entrepreneurial ventures do, it struggles with the need of finding a valid measurement system that assesses its true contributions and impacts.

Therefore, this study is structured in the following manner: first, a theoretical framework provides an insight of what Social Entrepreneurship is, shedding light on the types of ventures in which it can emerge, limitations, boundaries, motivations of social entrepreneurs, other important concepts such as networking, complexity, credibility and commitment, and finally, the valuation and metrics of Social Entrepreneurship. Later on, a conceptual framework is presented with the questions that arose from the specialized literature followed by the project's presentation in practical terms, with an application of the chosen impact assessment model. Then, the Conclusions, Limitations and Contributions finalize the document, offering a point of view and also a starting point to further discussion in the matter.

## 1. Literature Review

*“Governments, in all their various forms, seem almost entirely incapable of “fixing” the social problems their citizens face. Religion appears to have virtually abdicated its influence in the West, along with its emphasis on helping the disadvantaged”* (Sud, VanSandt and Baugous, 2009:210)

### 1.1. Defining the concept of social entrepreneurship

The definition of “social entrepreneurship” must derive from the word “social” along with the word “entrepreneurship”, taking into account that the word “social” can have a variety of meanings (Seelos and Mair, 2005; Martin and Osberg, 2007). Peredo and McLean (2006), believe that social entrepreneurship is exercised where some person or persons aim at creating social value of some kind and try to attain that goal, combining opportunities, innovation, risk-tolerance and will to decline acceptance of limits in available resources. Zahra *et al* (2009), quoting the definition proposed by MacMillan, state that social entrepreneurship is the *“process whereby the creation of new business enterprise leads to social wealth enhancement so that both society and the entrepreneur benefit”* (p. 521). The Schwab Foundation’s (2011) definition says that social entrepreneurship is *“applying practical, innovative and sustainable approaches to benefit society in general, with an emphasis on those who are marginalized and poor”*. Oncer and Yildiz (2010) believe that social entrepreneurship should act on the issues that neither public nor private sector could find solutions for.

Dees (1998) believes that the concept of social entrepreneurship means different things to different people and researchers. That is true, but it’s also true that there’s a common ground on these definitions. Most definitions link social entrepreneurship with exploring opportunities with the purpose of change and improvement, instead of only increasing one’s profits (Zahra *et al*, 2009; Seelos and Mair, 2005). Despite the economic approach of the concept – which seems to be the main rupture point among dedicated literature and will be developed further on – and how the goals of the project are achieved, it is accepted by the majority of authors that what characterizes social entrepreneurship in general terms is the purpose of bringing social value to society (Seelos and Mair, 2005), eliminating inefficiencies and creating more effective systems that benefit especially the marginalized ones. Although the concept of social

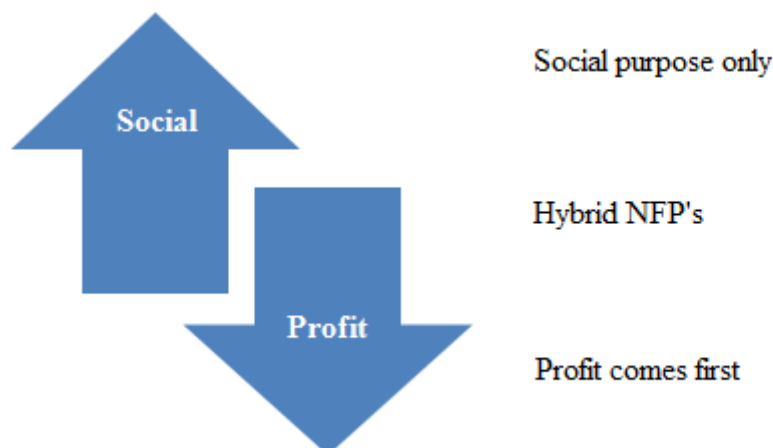
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entrepreneurship is recent, providing solutions using initiatives that put in practice entrepreneurial skills is not (Alvord, Brown and Letts, 2004).

### 1.1.1. The 3 Dimension Axis

Peredo and McLean (2006) put forward a not-so-bounded approach to the matter of social entrepreneurship that is useful to understand these different points of view. They propose an axis – at one end are those who hold that “*social goals must be the exclusive aim of the social entrepreneur*” (p. 59), and therefore the economical outcomes and implications should be put aside, left out of consideration. In the middle are those who cite the “*double bottom line – the art of simultaneously pursuing financial and social returns on investment*” (p. 59), but with the financial goals serving only the purpose of supporting the social ones; and on the other end are the ones who believe that the notion “*should not be confined only to NFP [not-for-profit] enterprises*” (p. 59), meaning that also a for-profit organization can be stated as a practitioner of social entrepreneurship, even though it’s not its main purpose. With this view the authors intend to provide a distinction between the prioritization level in social ventures regarding their goals, proposing a conflict between the preference given to profit vs. social. A more detailed explanation is herein provided.

Image 1: Social vs. Profit



For social entrepreneurs, the social mission is the cornerstone of the initiative, being the only outcome that matters to achieve (Dees, 1998; Shaw and Carter, 2007). With the same opinion, Peredo and McLean (2006) refer especially to financial goals implicit on the previous words of Shaw and Carter (2007). They believe that income generation isn't essential to social entrepreneurship, for social entrepreneurship is only concerned

about “*finding new and better ways to create and sustain social value*” (p. 60). Included here are the organizations who rely on subsidies (whether from the government or private philanthropists) to perform their mission, despite the fact that not all NFPs are socially entrepreneurial (Weerawardena and Mort, 2006) and these organizations’ growing adoption of tools usually linked with for-profit management, like strategic planning and market analysis, to face the current increase in competition among themselves. In fact, Weerawardena, McDonald and Mort (2010) stress the fact that NFPs must make a profit to sustain operations and survive, “*since additional pressures have been created by the for-profits who now step into traditional and commercial nonprofit industries*” (p. 351). Boschee and McClurg (2003) believe that unless a non-profit organization is generating income by its activities, it cannot be considered as entrepreneurial, but only innovative, regardless of what they’re offering to society. Zahra *et al* (2009) also agree on this position, since organizations such as NGOs and NFPs, who, by definition, ignore the economical outcomes of their activities, generally should not lie inside the boundaries of social entrepreneurship. This obstacle can be bypassed with the inclusion of the economic return in the definition, as proposed by Golden, Hewitt and McBane (2010) – social entrepreneurs identify social problems and use innovative ways of delivering social change, achieving a positive economic return in order to provide sustainability of the change. Despite the fact that there’s no direct income generated by the activities of these types of ventures, there is an indirect creation of wealth, since it is fundamental to its sustainability.

The middle-axis position states that “*on this view, social entrepreneurship necessarily involves “enterprise”, in the sense of some form of income-generating venture; bent, however, not on profit but on social benefits – being the so called “hybrid NFP’s”*” (Northland Institute and Davis, quoted by Peredo and McLean, 2006:60). Fowler (2000) labeled these as “*integrated social entrepreneurship*” (p. 645) – in this form of income-generating activity, the undertaking is itself aimed at producing beneficial social outcomes (Mair and Martí, 2006; Peredo and McLean, 2006), although the importance of financial resources is still considered, being the two orientations complementary (Murphy and Coombes, 2009). This seems to be the most balanced approach, since financial revenue is applied in order to pursue social goals, creating therefore a sustainable cycle. It is also the most down-to-earth definition of the phenomenon, since it mixes the words “social” with “entrepreneurship” in a classic way, as explained by Martin and Osberg (2007) and Seelos and Mair (2005) earlier on. Alvord *et al* (2004)

give the example of a non-profit that creates “*commercial subsidiaries and uses them to generate employment or revenue that serves their social purposes*” (p. 262). Despite this, Trexler (2008) disagrees with this idea, pointing out that this “hybridization” is inconsistent with corporate law, in which the evaluation standard is the maximization of financial return, being this maximization the driving force of the shareholders and, therefore, the markets – and these metrics aren’t compatible with social entrepreneurship. The language of for-profits, such as return on investment (ROI), financial return, and so on, betray the very essence of a social entrepreneurship venture; at the same time, charity and philanthropy don’t go along with principles like free market capitalism and pursuit of selfish financial goals. This stresses even more the importance of finding a valid metric system to evaluate the outcomes provided by these types of ventures.

The border between not-for-profit and for-profit organizations “*is not only vague but porous*” (Peredo and McLean, 2006:61). Companies which demonstrate a sense of social responsibility “*stand out in a world of increasingly undifferentiated services*” (Cone, Feldman and DaSilva, 2003). Mair and Martí (2006) argue that rather than profit versus non-profit, the main difference lies in the priority given to the creation of social wealth versus economic wealth. Social entrepreneurship “*should be taken to include undertakings where social goals are added to the firm’s objectives, even when they may not rank first in the firm’s priorities and may be taken on at least partly for instrumental reasons*” (Peredo and McLean, 2006:62). Therefore, in this view any company that pursues social goals can also be considered to be socially entrepreneurial, and working within the private sector gives the advantage of orienting to planning, profit (sustainability) and most important, innovation (Roper and Cheney, 2005). Alvord *et al* (2004) place the example of a for-profit that donates profits or organizes activities to achieve social goals. But as it was said earlier, this is a grey area. Zahra *et al* (2009) believe that for-profit firms that develop efforts to be socially responsible and commit to philanthropic initiatives should not be considered as being social entrepreneurs, since their drive is to achieve financial wealth in the first place. As Alvord *et al* (2004) state that these initiatives can use resources provided by the financial “area” to sustain social activities, the key point is to figure out the level of priorities given to social vs. financial. In this case, social motivations didn’t seem to took part during the creation process, or at least, not as a priority (Neck, Brush and Allen, 2009) - therefore it is dangerous to consider these as social enterprises, since the social purposes might be subdued to the



financial ones, representing only means to an end, or a way to stand out in a more and more competitive market. The label “social responsible” seems to be more appropriate in this case (Neck *et al*, 2009).

Despite the relevance of the model proposed by Peredo and McLean (2006), the boundaries between NFPs, hybrid NFPs and for-profits are fading, as the studies of Weerawardena *et al* (2010) show. The growing turbulence in the environment, the uncertainty of government policies, the absence of regular and predictable flows of income to the traditional NFPs and the growing competitiveness in project funding have led traditional NFPs to adopt “*business like strategies aimed at building a sustainable organization*” (Weerawardena *et al*, 2010:351) as well as “*multiple innovative strategies aimed at achieving greater organizational sustainability*” (p. 354). These organizations’ social mission can hardly depend on subsidies and donations, and even when it comes to these sources of financial support the competition has grown stronger. In order to keep pursuing their goals the need for a stable source of funding and income flow arose, which led them to approach their practices to the for-profit ones.

Ashoka Innovators, quoted by Alvord *et al* (2004), bring yet another point of view to the discussion – the vision of social entrepreneurship as a way to catalyze social change beyond solutions to the initial problems. Not so much as a definition of the concept like the ones previously discussed, this is more like a way of “delivering” social entrepreneurship in the form of a change maker and/or movement, not consisting in a venture with well defined boundaries. The purpose here is to produce small changes in the short term that will act on existing systems, creating large changes in the long term. The overall effect should be to make social enterprise a transitional form, being surpassed as the desired change is achieved and being its disappearance a mark of its success (Trexler, 2008). This requires a broader vision of the issues addressed, not only in terms of time (short vs. long run) but also in terms of dimension (local vs. large scale), in order to “*introduce new paradigms at critical leverage points*” (Alvord *et al*, 2004: 262).

The concept of social entrepreneurship is still poorly defined and its boundaries to other fields of study remain fuzzy (Hoogendoorn, Pennings and Thurik, 2010; Mair and Martí, 2006; Neck *et al*, 2009; Weerawardena and Mort, 2006) - being the lack of theory a barrier to the recognition and growth of these initiatives to a global scale (Seelos and Mair, 2005). Although Martin and Osberg (2007) stress the importance of achieving a “rigorous definition”, so that those who support social entrepreneurship “*can focus their*

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*resources on a concrete field, and the skeptics and cynics be left out with a much narrow target to shoot at”* (p. 30), Trexler (2008) states that it’s tempting to classify the concept’s vagueness as a feature instead of a bug, due to the extraordinary impact of the movement, being the reach for a consensual definition not so important. Despite this view, it seems that the chasm in which the field is placed, theoretically speaking, hinders the evolution of social entrepreneurship, harming its reliability and failing to provide models that are suitable for practical application.

### 1.2. Business Entrepreneurship vs. Social Entrepreneurship

Oncer and Yildiz (2010) present business entrepreneurship as the “*identification, evaluation and exploitation of opportunities...which represent occasions to bring new products or services into existence...to be sold at prices higher than the cost of production...involving profit generation, helping entrepreneurs to build personal wealth*” (p. 222); therefore, stating the main difference between the two concepts as the objective they pursue. Social entrepreneurship is the search of new means to achieve social improvement and change; though both operate with cash flows and revenues, social entrepreneurship does not seek to provide economic value to the stakeholders – the value contribution to society and social wealth are mostly valued, therefore being main difference placed in the value proposition (Dees, 1998; Mair and Martí, 2006; Martin and Osberg, 2007; Murphy and Coombes, 2009). Most definitions refer to the exploitation, by social entrepreneurship, of social opportunities to create social change instead of the usual profit maximization by traditional entrepreneurship (Zahra *et al*, 2009).

Regarding the entrepreneur, Shaw and Carter (2007), mentioning Drucker and Leadbeater, state that when it comes to comparing social entrepreneurs and the ones who work for profit, some traits are shared, like their “*drive, determination, ambition, charisma, leadership, ability to communicate and influence others and maximum use of scarce resources*” (p. 422). However, Shaw and Carter (2007) spot three ways where social and business entrepreneurs can be distinguished – the ethical values that guide the social entrepreneur block the corruption of the main idea and ensure the commitment to the project; their objective and mission are different, as explained earlier; and the presence of innovation as a key characteristic of the social entrepreneurs. For the entrepreneur, the mindset is organized to serve markets that can pay for the products and therefore generate financial profit; for the social entrepreneur, the value proposition

lies in creating value to serve population that lacks the means to create the needed change by itself. Waddock and Post (1991) also found differences between the work of social and business entrepreneurs – social entrepreneurs are private citizens, not public servants and they focus on creating/increasing general public's awareness towards a certain matter; therefore, they hope that that leads to new emergent solutions to the addressed problems.

### 1.3. Social Entrepreneurship's limitations

According to Sud *et al* (2009), as attempts are made to scale up the field, social entrepreneurship fails when it comes to provide solutions to large-scale problems. VanSandt, Sud and Marmé (2009) evoke growth as being a factor that brings threats to social enterprises. When a social enterprise grows, it necessarily attempts to scale its procedures and operations, hence losing the level of detail and intimate knowledge needed to act in the community to solve delicate situations. While a usual business harvests several advantages from increasing size (scaling), through the simple increase of workforce (among other productive factors), a social enterprise cannot afford to hire people who aren't intimately related to the addressed cause; even if this obstacle was bypassed, other issue would then emerge: since social enterprises "*externalize benefits and internalize costs more than other economic actors*" (Van Sandt *et al*, 2009:421), they would need to hire manpower willing to work for lower compensations, since generated income is considerably lower, compared to other for-profit businesses. The "*organizational legitimacy argument*" (Sud *et al*, 2009:202) upholds that the existence of certain types of organizations is dependant of the acceptance of society in which they are inserted; since they are a recent phenomenon, they're still struggling to gain acceptance. What happens is that, by definition, as these ventures expand their activity a growing number of stakeholders' demands have to be pleased, thus hindering the original social mission when confronted with those demands. The "*isomorphism argument*" (Sud *et al*, 2009:204) consists in the homogenization of the organizations over time. Once societies approve the existence of social ventures, they will suffer pressures to follow existing models, whether politic, to response uncertainty, or even to trail recognized practices by its pairs (Sud *et al*, 2009; Van Sandt *et al*, 2009), making it easier to act locally than in a larger scale. The "*political*" argument (Sud *et al*, 2009:207) states that while the "social" in "social entrepreneurship" isn't clearly bounded and defined, it won't be possible to judge the benefits of this phenomenon, for

the “social” benefit may not be of common acceptance. Several authors have previously stressed the need to achieve a rigorous and consensual definition to allow the stable development of social entrepreneurship (Hoogendoorn, *et al*, 2010; Mair and Martí, 2006; Martin and Osberg, 2007; Neck *et al*, 2009; Seelos and Mair, 2005; Weerawardena and Mort, 2006) and that is left clear once again. The final argument is the “*structural argument*” (Sud *et al*, 2009:208), defending that the current configuration of competitiveness in the markets makes it very difficult to pursue social goals instead of financial ones, for the conflict will occur between competitive advantage and corporate social responsibility. Even if there are a few social entrepreneurs placing social goals first, Sud *et al* (2009) do not believe they’ll make a difference in a large scale. This limitation might be mitigated by the current trend of NFPs adopting business strategies to achieve sustainability. If they succeed, they’ll be able to reach a balance between competitive edge vs. social goals.

Related to the early or late discovery of the opportunity that leads to the creation of the venture is one of the main limitations (Murphy and Coombes, 2009). If the opportunity discovery is misplaced in time, it will have an effect on the value generated by the enterprise, due to the mobilization being also jeopardized. If an opportunity is taken too soon or too late, the resources available may not be ready yet (for example, there can be a lack of awareness of society towards the issue) or may already be taken (the example of another non-profit created to fight cancer will not be as successful in attaining resources as its predecessors, since the idea was innovative by then and people contributed more back then).

The management of the social enterprise can also be presented as a limitation (Murphy and Coombes, 2009). Since the social entrepreneur has a profound connection with the issue addressed and the people who will benefit from the created value, what can represent an edge towards managers who come from an exterior environment can also represent a limitation. The venture may be difficult to manage due to biases that may exist, making difficult to be objective and neutral when facing management decisions that will be placed along the way, thus harming the performance of the project. The reverse situation can also represent a limitation (Murphy and Coombes, 2009). Since social entrepreneurial opportunities are intended to serve a specific range of disadvantaged population, and the presence of a manager who’s not identified with that population may clash with its culture and therefore hinder the chances of venture’s success. To minimize these limitations, the addressed opportunity and who will take

benefit from it should be taken into account when it comes to choose a manager to run the venture, or at least, there should be a will to balance the valuable inputs that either one can provide (exterior vs. one from the inside), minimizing the cultural clash but also the biases suffered.

#### 1.4. The Social Entrepreneur

For Turner and Martin (2005:798), social entrepreneurs are “*key individuals who are able to develop new, more responsive, methods of service delivery designed to reach groups who have been by-passed by mainstream programs*”. This definition is important in a way that clarifies what social entrepreneurs do, how they do it, to whom they do it and why they do it.

Zahra *et al* (2009), believe that “*social entrepreneurs make significant and diverse contribution to their communities and societies, adopting business models to offer creative solutions to complex and persistent social problems*” (p. 519). As social entrepreneurship involves developing new technologies or approaches that allow the creation of social value (Certo and Miller, 2008), social entrepreneurs are also viewed as social innovators (Casson, 2005). The same say Weerawardena *et al* (2010), since innovation in socially entrepreneurial NFPs is “*targeted to two strategic areas – capital raising and delivery of services to targeted clients*” (p. 353).

##### 1.4.1. Motivations

Personal values and characteristics were found to be different from the values that typify ordinary managers (Fagenson, 1993). The entrepreneur is attracted to the unbalance, seeing in it an opportunity to provide new solutions, products or services. They are very comfortable with the tendency to violate societal norms, motivated by social concerns (Vega and Kidwell, 2007). Due to their personal characteristics – “*inspiration, creativity, direct action, courage and fortitude*”, while the others see and “*inconvenient to be tolerated*”, the entrepreneur sees a chance to make a change (Martin and Osberg, 2007:33). To the social entrepreneur, the drive to succeed is related to a set of personal motivations, such as fulfillment of personal and professional goals or an expression of altruism (Mair and Martí, 2006), which provide a sense of self-respect and may be viewed as more important than financial profits (Hemingway, 2005). To reinforce this point of view, Shaw and Carter’s (2007) findings suggest also that

social entrepreneurs are greatly motivated by their social aims - social and business entrepreneurs share work and experience templates, however their motivations are apparently different. The research developed by the authors (Shaw and Carter, 2007) shows that a low number of respondents ranked “*to become your own boss and independent*” and “*to create personal financial security*” as their priority and objective when they created their social enterprise. Instead, they ranked “*belief in the work of the enterprise*”, “*to affect change and make a difference*”, “*to meet local needs*”, “*to tackle a social issue*” and “*personal motivation*” as the first 5 factors, respectively, they considered when they started the venture. “*For most social entrepreneurs, the recognition of a gap in the provision of services or an unmet social need had been the key driving force in their creation*” (p. 426). Vega and Kidwell (2007) advance with a model that combines the entrepreneurial drive with the desired return, defining four types of entrepreneurs, in which two are social entrepreneurs. This is particularly important when it comes to understand the motivations that drive the social entrepreneurs to create their ventures. The “*deeds social entrepreneur*” (p. 21) is highly passionate about a cause and that must provide a greater good to society, becoming a source of social return on investment. He has a strong desire to help others, breaking free of established structures and a sense of trust and upbeat, that creates a strong belief of success on all those who surround him. This profile is similar to the ones found in the literature characterizing the typical social entrepreneur. The other social entrepreneur profile combines social return with a business approach. The “*dollars social entrepreneur*” (p. 22) is a strong manager with bold institutional feeling, less preoccupied with the idea and more on the most effective way to reach it, seeking primarily to take a business approach to achieve social goals, recognizing the need to obtain money and thus running the social enterprise as a business. He seeks to “*be assertive, to exercise power, to stand out from the crowd and to compete with others. He may be at the center of a network to raise money for social enterprises*” (p. 22).

#### 1.4.2. Networking

Networking is defined as being the extensive number of “*personal and business contacts that could be tapped for action as they began to build an organization*” (Waddock and Post, 1991:397). Hoogendoorn *et al* (2010) point two types of networks – the “*formal*” and the “*tailor-made*” (p. 20). The first one is composed by entities that have responsibilities in economic development, such as governments and

local authorities, while the second one consists of contributions that enhance the venture's mission.

Social entrepreneurial issues often require the intervention of a myriad of actors, since they can hardly be solved independently (Neck et al, 2009), and that is why these “networking skills” are found in the literature as being one of the most important traits that a social entrepreneur must possess. According to Sharir and Lerner (2006), two situations may occur regarding the social network: the entrepreneur launches the venture depending on the resources of the network where he's inserted, or he invests time and money to create his own network.

Nga and Shamuganathan (2010) mention the social networking, along with social vision, innovation and sustainability to be very important traits that should be inculcated among business students, in order to promote greater social entrepreneurial spirit. Mair and Martí (2006:41) identify several components of relationships between individuals (“*social capital*”), being two of those the structural capital - the “*potential or possibilities that the social entrepreneur has to access information, resources and support*”(p. 41) - and the relational capital, that “*focuses on the quality of relationships, such as trust, respect and friendliness*” (p.41). When it comes to create and sustain a venture, these two factors are mentioned once again, since the networking and the interpersonal skills of the social entrepreneur will influence his or hers ability to attain resources and visibility to the project (Seelos and Mair, 2005). Social capital appears in the research of Van Ryzin, Grossman, DiPadova-Stocks and Bergrud (2009:136) as being “*perhaps the single strongest statistical predictor of those likely to identify as social entrepreneurs*”, meaning that these are individuals with “*many networks, attachments and group memberships*” (p. 136), and therefore, with a large base of connections. However, it is important to mention that these results may not correspond to the full extent of reality, since it is not possible to determine the cause/effect relationship between both concepts, social capital and social entrepreneurship (Van Ryzin et al, 2009). As networking facilitates social entrepreneurship activity, so does it work in reverse. In terms of looking at networking phenomenon as major enabler of social entrepreneurship, it can be stated that successful social entrepreneurs tend to have an easier task when expanding the venture.

#### 1.4.3. Complexity, Credibility, Commitment

According to Waddock and Post (1991), social entrepreneurs must possess three characteristics necessary to develop a successful venture and achieve the desired change, producing social wealth – “*complexity*” (p. 394), which allows the social entrepreneur to put the problem into a vision; “*credibility*” (p. 394), that he uses to gather resources and build the necessary network; and “*commitment*” (p. 394), by framing the project as being socially necessary and having social purposes, instead of simple financial goals, creating therefore a “*collective purpose*” (p. 394). This collective purpose is what brings support and acceptance from the public to the cause and, in case of a venture that’s dependant of subsidies or donations, the bigger the acceptance, more and more resources can potentially be attracted. This is also linked with Auerswald’s (2009) theory on ethical and reputational value<sup>1</sup>.

Waddock and Post (1991:396) state that “*the victims of the problem are removed from the ones who deal with it*”, for they are an “*undeserved, neglected or highly disadvantaged population*” (Martin and Osberg, 2007:35) that do not possess means to achieve solutions. That job is left to the social entrepreneur, which is why he or she is careful to frame the problem as a crisis, with implications that will, or already do, affect the society in general, to make more powerful and wide-ranging social actors take the cause as theirs and act as a “*gesture of good will*” (Waddock and Post, 1991:396). The resolution of these problems or the change regarding the society’s awareness about them depends on the interaction between these multiple participants (Bennis and Nanus quoted by Waddock and Post, 1991) but also on the three characteristics<sup>2</sup> found by Waddock and Post (1991). Therefore, as Trexler (2008) points out, the more entrepreneurial values are associated with positive feedback, either by the media and/or by public opinion, the greater chances the phenomenon has to be magnified and create its roots in the community. On the other hand, if that association fails to take place, there will be an increased resistance to the blending of the “charity” and “entrepreneurship” concepts.

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<sup>1</sup> Will be further developed in the “Impact Measurement” chapter.

<sup>2</sup> “Complexity, credibility and commitment” (Waddock and Post, 1991:394).



### 1.5. Impact Measurement

*“Arguably the biggest obstacle to the creation of social capital markets is the lack of a common measure of how much good has been done: there is no agreed unit of social impact that mirrors profit in the traditional capital markets”* (The Economist, 2009).

Straightforward standards by which opportunities and organizational performance are assessed are missing in the case of social entrepreneurship. The absence of such standards along with the vagueness of the word “social” makes any attempt to assess social entrepreneurship ineffective (Zahra *et al*, 2009), which may jeopardize the initiative’s chances of long-term success (Trexler, 2008). It is necessary to increase efforts in order to develop measures that enable the capture of impact created by social entrepreneurship (Mair and Martí, 2006), since these performance measures are less standardized and more customized to fit the needs of a particular organization (Certo and Miller, 2008). When compared to private value creation, markets do not work as well for social entrepreneurs, especially because they have difficulties valuing social improvements, public goods and harms and benefits for those who can’t pay (Dees, 1998; Seelos and Mair, 2005; Golden *et al*, 2010). Adopting proper metrics can work as a catalyst, facilitating the program’s assessment and therefore enabling the collection of resources (VanSandt *et al*, 2009; Golden *et al*, 2010). It can also minimize the organizational legitimacy issue, addressed by Sud *et al* (2009) and earlier explained.

#### 1.5.1. Social Value

Barro (2007) wrote that social value, using Microsoft Corp.’s example, is what comes from the increase in productivity created when using the software, being the social benefit equal to the value of the extra product minus what’s been paid for the software. By this definition, every market transaction creates social value, and the bigger it is, the greater the value created (Auerswald, 2009) – which does not correspond to the truth, since the consumption of environmental, health and other goods for which markets do not exist or are imperfect is not taken into account. Therefore, it is hard to assess the social value created by the entrepreneur and if the use of resources is justified (Dees, 1998). It is difficult to measure social value creation, and thus, social entrepreneurs do not capture the value they created in an economic form to pay for the resources used.

### 1.5.2. Attraction of resources

*“The ability to attract philanthropic resources may provide some indicator of value creation in the eyes of resource providers, but it’s not a very reliable indicator”* (Dees, 1998: 3). In fact, this indicator presents several handicaps that condemn its use in the first place. The most noticeable problem is that private donors (who are resource providers in case of NFPs), for example, are far more sensitive to some causes in detriment of others – take the example of the fight against cancer versus integration of ex convicts – thus leading them to contribute more to one instead of the other, not bearing in mind any value creation criteria whatsoever. This is the main issue related with this indicator – there’s no link between impact caused by the venture and resource attraction, providing a limited impact assessment insight which can be biased – such as the example of a venture that may have even gathered more resources in comparison to another, but due to a successful marketing strategy, not proving its real contribution to society.

### 1.5.3. Residual value

Auerswald (2009) also refers to other kinds of nonfinancial value creation (the residual value), like the reputational and ethical value. Although it is difficult to measure such outcomes, especially the first one is very important – many social entrepreneurs may claim to never have received a dime from their ventures, but the reputation they achieved has become a valuable asset to themselves, being very important when it comes to build a strong network, as mentioned earlier. The ethical value that is associated with the products and services provided by the social ventures is what makes possible that these are perceived as premium and, in case of sold products, priced according to such condition. Regarding ventures that rely upon private donations or subsidies, such ethical value can attract more resources to the cause. Despite this, this is not a direct indicator of impact created by the venture, but instead, a consequence of such impact. By having an impact in society which stakeholders consider as valid, a certain venture can then collect the ethical and reputational values that derive from such impact, allowing the social entrepreneur to expand the venture’s network and price the products accordingly, as mentioned. Therefore, the Residual Value does not pose as being an impact measurement model.

#### 1.5.4. Total Wealth equation

To face the problem of measuring the value created by a social enterprise, Zahra *et al* (2009:522) propose the term “*total wealth*”, which reflects both social and economic considerations. To the authors, it incorporates tangible and intangible outcomes, such as products, clients, happiness and general well-being.

$$\text{Total Wealth} = \text{Economic Value} + \text{Social Value} - [\text{Economic Costs} + \text{Opportunity Costs} + \text{Social Costs}]$$

This makes clear how both economic and social wealth can be created in the pursuit of total wealth maximization, or, on the other hand, how one category can be enhanced at the expense of the other, illustrating how a social entrepreneurial entity can aim one or both of these categories. It is useful since it provides a balance between economical and social value and thus can be applied to the three types of ventures earlier mentioned – NFPs, where the economical value created will be residual, since the main goal is to achieve social value; hybrid NFPs, where the economical value will be created support the achievement of social value; and for-profit ventures, where the creation of social value happens, but the main goal is the economical value. Still, “*the social wealth standard is imprecise and difficult to measure because many of the products and services that social entrepreneurs provide are non-quantifiable*” (Zahra *et al*, 2009: 522).

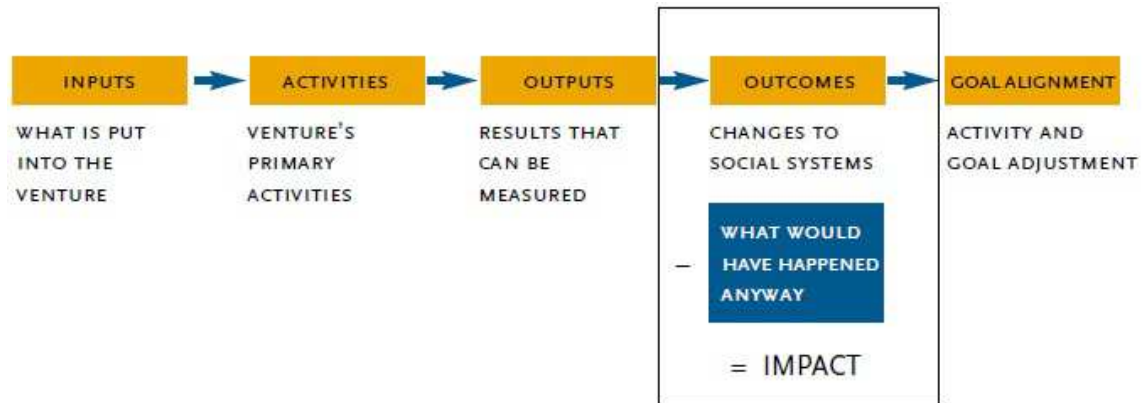
#### 1.5.5. The Impact Value Chain

Clark, Rosenzweig, Long and Olsen (2004:7) propose the “*impact value chain*”. The Impact Value Chain is a tool that enables the quantification and qualification of the impacts caused by the action of a certain venture or project. By defining inputs, outputs and outcomes, it is possible to separate all the process into these categories, deducing the impacts caused and even allowing the monetization of such impacts in a further step. There are four key terms regarding this matter – inputs, outputs, outcomes and impacts (Image 2). Inputs are what is invested in the venture; outputs are the tangible results from the activity; outcomes are the achieved changes in the systems, whether in people’s lives or in the community itself; finally, the impacts are determined subtracting what would have happened anyway to the outcomes produced (SROI Primer, 2004). This is a valid model since it provides quantification to dimensions that were previously

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unaddressed due to the complex process of attributing value and measurement of things like improved stability in people’s lives, hiring long-term unemployed workers, decrease in government’s financial support to these workers, and so on.

Image 2: Impact Value Chain



Source: Clark *et al* (2004)

The “impact” dimension introduced here can have an “*internal approach - impact on employees’ health and economic security*” and “*external - health, economic, environmental, and other effects on parties outside the company such as customers and communities*” (Olsen and Galimidi, 2008:12). This is of utmost importance, since it provides a clear notion of the contributes given by the venture. Seeing things through different stakeholders’ perspective is an important contribution in order to provide a clearer picture of the impact caused. Investors seek projects that fit into their own views and missions; providing an idea of the impact will shed a light on the expectations and desired goals. It is, therefore but not only, important to measure impacts on a regular basis, in order to keep the focus on the key objectives previously determined and make regular adjustments to deviations (Golden *et al*, 2010).

An effective impact measurement system should add value, aligning the stakeholder’s goals (Golden *et al*, 2010). What is desired is what should be measured – it must be coherent with the mission and vision of the venture, giving special importance to the impact, being “*useful, feasible and credible*” (Golden *et al*, 2010:8).

According to Golden *et al* (2010), research shows that investors who seek financial return in “profit comes first” ventures are mainly looking for impact measurement systems that are “*simple and easy for the average investor to understand*” (p. 10); the “hybrid” investors will look for “*outcomes that are defined by a social purpose business,*

*specific to its social mission and its execution plan*” (p. 10); and the NFP’s ones require more advanced tools that show a real quantification of the impact degree of impact from their funding, because economic-driven markets do not find NFP’s outcomes and NFP ventures to be as reliable as for-profit companies, who fund themselves, hence forcing the first ones to show clear evidence of their contribute, having to struggle for the purpose of their existence constantly.

This model has, however, four potential risks to credibility, identified by Clark *et al* (2004) – “*Poor impact measurement based on weak research design*”; “*poor social accounting framework*”; “*lack of counterfactuals (outputs or outcomes may be misinterpreted as impacts)*”; and “*can miss important intangible impacts and/or costs*” (p. 30). Since this system withholds a certain degree of flexibility in what comes to define what’s an output, an outcome and an impact, and to whom it concerns, these mistakes are susceptible to be made. To conclude, it is also important to mention the “*difficulty in determine what social outcomes would have happened if the venture did not exist*” (Clark *et al*, 2004: 30), given that some areas of intervention may present challenges to the quantification of these data.

#### 1.5.6. SROI

Vega and Kidwell (2007:16) propose the concept of “*social return on investment*” (SROI) to measure the value generated to society by the enterprise, in monetary terms. This concept was developed by REDF - Roberts Enterprise Development Fund, a California-based venture philanthropy organization that invests in nonprofit-run businesses called ‘social enterprises’ (REDF, 2011) in 1996. “*SROI is an approach to understanding and managing the value of the social, economic and environmental outcomes created by an activity or an organization. It is based on a set of principles that are applied within a framework*” (The SROI Network UK, 2011). The point is to compare the money spent by government or other public organizations on the venture with the value it has generated, whether it comes from public cost savings, new tax revenues paid by unemployed people who now work in the enterprise or other contributions to society. It is calculated by dividing the value of social impact by the investment made to attain that impact. It can be applied using the Impact Value Chain framework, quantifying the dimensions earlier explained (inputs, outputs, outcomes and impact) and attributing a value to them, bearing in mind the party from whose perspective benefits are calculated (Clark *et al*, 2004).

1.5.7. Conclusion and model selection

In conclusion, the choice of the impact measurement model to develop and apply further on is now explained.

In order to measure impacts caused by a certain venture the best and most accurate way possible, choosing a model that provides the broadest and most reliable picture possible is key. Here is presented a brief analysis of the five models found in the researched literature. The choice of the model to apply in the practical chapter of this project is later justified.

Table 1 - Summary of 5 studied models

	Social Value	Attraction of Resources	Total Wealth Equation	Impact Value Chain	SROI
Definition	SV = increase in productivity caused by use of product	Bigger impact = More resources obtained	Reflects both economical and social terms	Definition of input, output, outcome and impact	Measure value generated in monetary terms
How it is calculated	Social benefit = extra product – what’s been paid	Value created = greater ability to attract resources	Economic Value + Social Value – [Economic Costs + Opportunity Costs + Social Costs]	Impact = outcome - what would have happened anyway	Value of social impact ÷ Investment made

From the proposed alternatives found in literature review, the first one – Social Value – is rejected in the first place. While proposing a view of “social value” concept based on productivity increase, along with its indirect consequences, it fails both to put that view to practice – since it does not contemplate nor differentiate the consumption of environmental, health and other goods for which the markets do not exist or are imperfect – but also to defend the idea that bigger commercial transitions mean greater social value added; thus leaving the core question unanswered – how to measure impacts.

The Attraction of Resources model also does not fulfill the required conditions, as the author says himself, “*it’s not a very reliable indicator*” (Dees, 1998: 3). Along with being inaccurate and very limited, since it doesn’t establish any cause-effect connection between the impact achieved and the resources gathered, it does not evaluate nor demonstrate which kind of impact was achieved – whether social, economical or environmental. It could be a useful dimension to incorporate in another model, such as to evaluate the public’s acceptance and recognition of a venture’s impact, but seems to fail on its own.

Total Wealth Equation, proposed by Zahra *et al* (2009), seems to approach the problem in more reliable terms. While proposing a reflection balanced between social and economical terms, the equation incorporates outcomes such as products, clients, happiness and general well-being. It is applicable to the three types of social ventures described by Peredo and McLean (2006), allowing the mentioned balanced between profit and social mission. Still, it faces the problem of measuring the social wealth standard, since it’s “*imprecise and difficult to measure because many of the products and services that social entrepreneurs provide are non-quantifiable*” (Zahra *et al*, 2009: 522), and this model is incomplete in providing a solution to this issue. Therefore, the Total Wealth Equation does not seem to fulfill the desired goal of measuring the impact of the studied social project.

Impact Value Chain and SROI models seem to be the most complete ones found in researched literature. In fact, these models seem to be complementary, since SROI cannot measure impacts of a social venture, but only monetize them, thus needing a “support” model like Impact Value Chain; on the other hand, IVC can measure the impacts but lacks tools to monetize them, only reaching conclusions in qualitative terms. Impact Value Chain also allows the stakeholders to see impact from a range of perspectives, measuring also indirect results originated by the project; despite this, in the lights of this project and due to its pending debut, it is not yet possible to apply the SROI model. After the first year of activity, it will then be possible to complete IVC model with SROI, hence reaching the real social return on investment provided by the project. This document will, therefore, be limited to listing the inputs, outputs, outcome and impacts of Latitude. For these reasons, the chosen model is the Impact Value Chain.

## 2. Conceptual Framework of Reference

From the literature review it is possible to establish the fact that many topics are still in a development stage and thus making this task more difficult; despite that, from this review arises the following conceptual framework hereby identified. Starting from theoretical analysis combined with some personal insights, it was possible to reach a conceptual framework with two main questions, leading later on to the central point of this study (Table 2: Conceptual framework scheme).

### “Is the choice of the venture’s model influenced by the purpose of its creation?”

The first issue concerns the motives that led to the venture’s creation. The choice of a not-for-profit, hybrid or for-profit organizational model may depend on the desire to achieve different purposes in the first place, by order of priority. These motives may influence the choice of structure and layout or have anything to do with the way services are provided.

### “How to choose an impact measurement model?”

With the undertaken literature review it was possible to list a set of models for impact evaluation in social ventures. All have different characteristics and their methods adapt to different specifications; therefore, there is a need to determine the conditions that lead to the choice of a certain tool rather than other and their applicability.

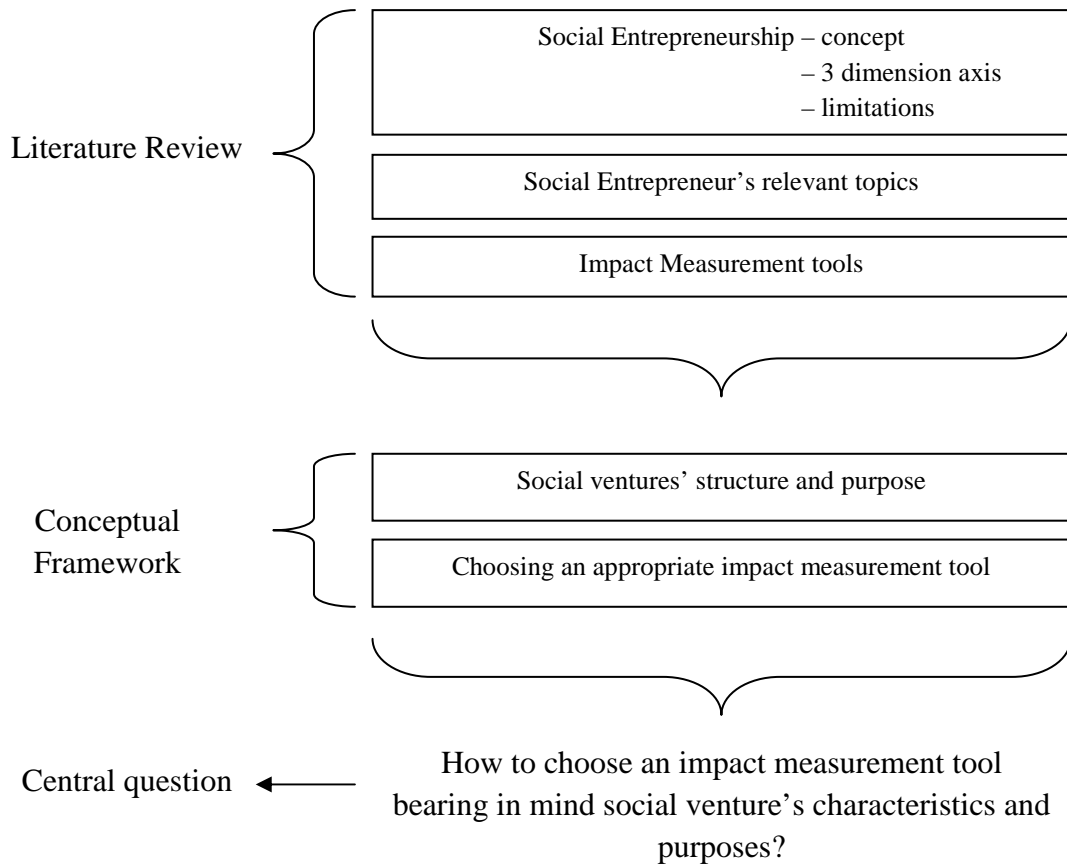
Bearing in mind these two questions, another issue arises from the combination of both, concluding this conceptual framework and thus leading to the central point of this study.

### **“How to choose an impact measurement tool bearing in mind social venture’s characteristics and purposes?”**

This is the central question of this study. Taking into account that the main purpose of a social venture is to create social value under the form of impact in society, the way that impact is assessed and measured considering the social enterprise’s structure and motives that led to its creation is a key issue. This question intends to tackle the issue of how to provide a reliable and credible impact evaluation tool to stakeholders involved.



Table 2: Conceptual framework scheme



The table above presented shows a schematization of the conceptual framework previously described.

### **3. Research Methodology**

#### 3.1. Literature Review

The literature review performed focused mainly on covering the general aspects that compose social entrepreneurship and its implications. Since this is a recent phenomenon, the attention was turned into articles and papers produced between 2005 and 2010. This is explained by the fact that social entrepreneurship is still on an embryonic phase and therefore there is no consensus among the dedicated literature in many fundamental topics (Hoogendoorn, Pennings and Thurik, 2010; Mair and Martí, 2006; Neck *et al*, 2009; Weerawardena and Mort, 2006). Some difficulties were found on the literature search process, due to the newness of the concept, with this implying that the range of relevant sources used was diminished, with some specific topics still lacking adequate scientific coverage on the literature reviewed. Many authors still disagree on basic matters, which is normal in a non-established field such as this; thus, there was the need to reflect different points of view along the theoretical review. The dedicated community is becoming more and more interested in social entrepreneurship, having witnessed an exponential growth in articles produced over the last two years, and at the same time many relevant papers are yet on a phase of scientific approval, meaning that in the next few years the evolution will be far greater than the one verified until now.

The review was organized in a way that made possible the approach of the main topics regarding this matter – what social entrepreneurship is, in what ways it may arise, its limitations, the characteristics of social entrepreneurs, and how to evaluate and measure the phenomenon – always bearing in mind the concern to gather enough data to cover all main subjects in order to produce a base where the project could arise.

#### 3.2. Data analysis

To analyze collected data, qualitative research method was used. Due to the fact that this work is developed based on scientific papers and contributions, this method was chosen bearing in mind the objective of gaining a deeper insight of the approached matter. Qualitative data analysis is a method by which collected data such as papers, articles, and other forms of theoretical insights are turned into a form of explanation and interpretation of a determined phenomenon (Taylor and Gibbs, 2010). It was important to understand the “why” and “how” the phenomenon of social entrepreneurship came

up, the state of the art and what further developments will contribute to the enhancement of the field. Also, its limitations play an important when it comes to put social entrepreneurship in practice.

The qualitative data analysis was based on gathering documents and reading, gaining an insight of the approached matters; collecting data from documents, reformulating its organization in order to create a theoretical framework regarding the different specific topics of the theme relevant to the subject in study; and coming up with a way of making sense out of the gathered data, looking for patterns and relationships within and across subjects, making discoveries about the phenomenon and putting the pieces of the puzzle altogether. However, this process chain might be broken anytime in its course, since it keeps repeating itself in spiral, being subject to several interactions and reformulations that might cause it to start all over again.

The choice of this procedure was due to the very practical nature it represents, similar to the one of this thesis. By promoting the described cycles, the concern to draw a portrait that could reflect the reality in itself is the first priority, always bearing in mind the objective of creating a starting point to the conception of the project's applied component.

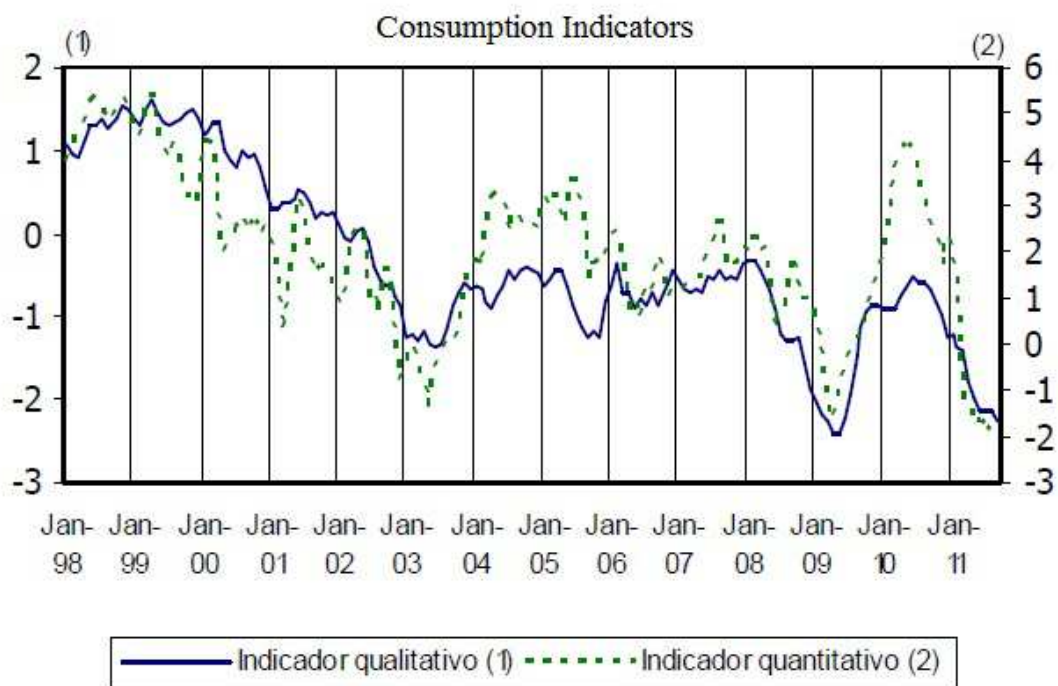
#### 4. Project Application

In this chapter, the Project Application will be introduced and described extensively, as indicated in the early Introduction. First, a description of unemployment is provided, approaching different angles and consequences of the phenomenon with the aid of statistics provided by official entities. Second, Latitude Program is thoroughly explained with a concern for its affiliation with unemployment problem and how it minimizes its consequences. Later on, an Impact Value Chain methodology is proposed to determine Latitude's future impacts, with detailed information.

##### 4.1. The unemployment issue

With consumer confidence indicators diminishing significantly in all Euro Area, Portuguese economic climate indicator reached in September the lowest value since April 2009. The economic activity indicator maintains the descending path observed during the last year (INE, 2011). Private consumption indicator (Image 3: Consumption Indicators) also diminished in January 2011 to lowest values in the last 12 years. This indicator is related to unemployment, since in general terms when consumption decreases it leads to a decrease in sales and consequent disappearance of several businesses.

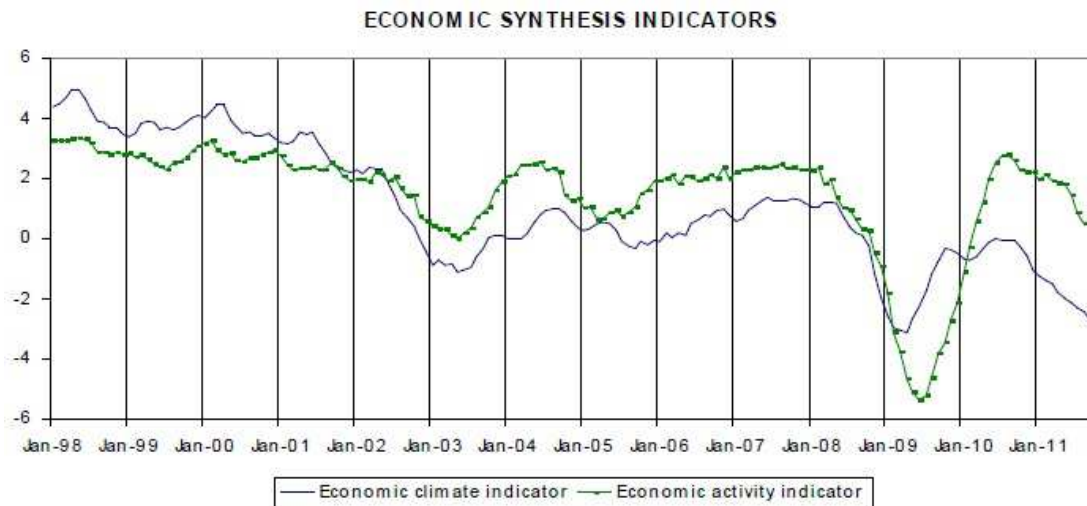
Image 3: Consumption Indicators



Source: INE

From Image 4: Portuguese Economic Synthesis, it can be stated that, despite the economical recovery started in mid-2009 which lasted until early/mid-2010, Portuguese's economical activity since 2008 has deteriorated severely and continues its downgrade.

Image 4: Portuguese Economic Synthesis



Source: INE

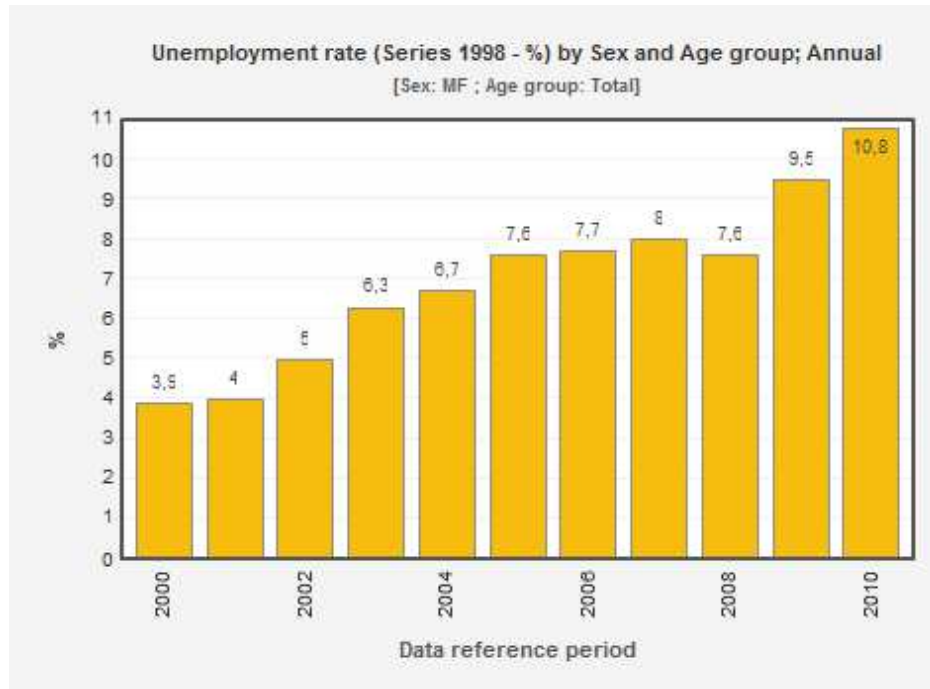
All of these factors cause and are also consequence of unemployment. This looms as one of the greatest social and economical issues of Portuguese society, with its structural vulnerability being put to evidence with the appearance of an unfavorable international economic climate. It is common ground that although they may vary, most of unemployment's causes are structural and derive from labor market dysfunctions; thus, with an adverse economical environment, these dysfunctions tend to be emphasized leading to an increase in unemployment.

Seen through a micro-economical lens, for the person who lost its job, this is a harmful situation – looking at the future without any lights of what's going to happen in labor market and such high volatility can lead to severe psychological conditions. Unemployment is known to bring mental and emotional distress to the unemployed subject, a severe loss of confidence (even worse if unemployment occurs in middle-age individuals) and can lead to anxiety and depression, endangering even the person's physical well being. It can cause the atrophy of several skills previously learned, leading to a depletion of human resources and manpower. It can also be the cause of poverty, debt, homelessness, social isolation, crime, and other factors resultant.

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As it can be inferred from Image 5: Unemployment rate, despite a slight reduction in unemployment rate of 0,4% in 2008, there's been a growth verified since year 2000.

Image 5: Unemployment rate



Source: INE

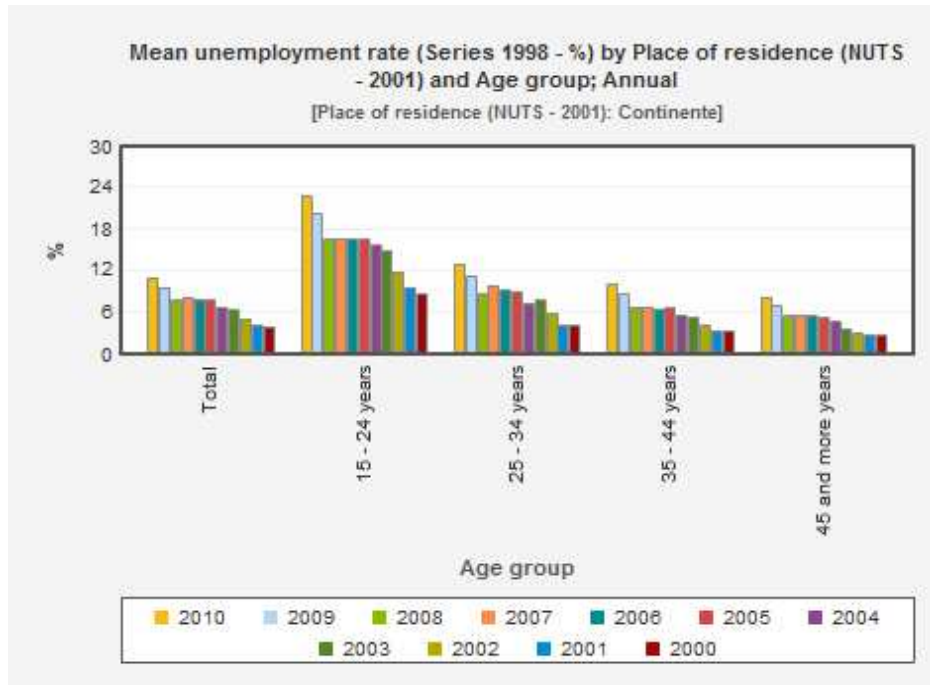
Bigger increases were verified in years 2008-2009 and 2009-2010, thus leaving room for discussion whether if these growths were caused by the aggravation of international economical environment, motivated by internal job policies or a combination of both, or even other factors that can have influence on this rate. What can be seen from the combination of statistics here presented is that when the biggest increase in unemployment rate was verified, between 2008 and 2009, there was also a severe decrease in consumption indexes and economic activity and climate. The biggest decreases in all three indicators are located between 2008 and 2009, thus leading to the idea that unemployment might be a consequence of such downsizes but also a cause, working in a vicious cycle where when no money changes hands, that is to say, economic indicators show a slowdown, unemployment is caused, and with unemployment, less money is available to be spent.

In 2000, the rate was 3,9%; ten years later, it has more than duplicated, being placed in 10,8%. When it comes to analyzing unemployment rates per age, as shown in Image 6: Unemployment rate per age, what is noticed immediately is the pronounced increase in

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15 to 24 years old age group in the last two years. All age groups have experienced growth in correspondent rates, but none as prominent as in the mentioned group.

Image 6: Unemployment rate per age

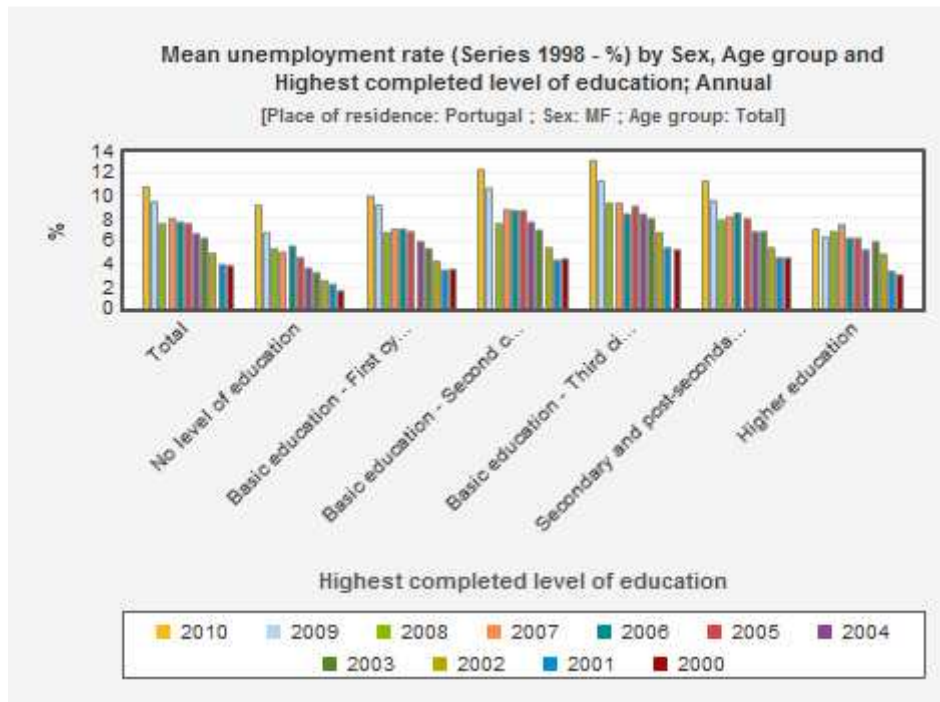


Source: INE

This poses a threat to society itself, since young people in the ages between 15 and 24 years old will be the ones supporting the entire Social Security system in the short/medium term. Being unemployed means that there are no tax contributions, on the contrary, the Government needs to put on additional effort in order to pay for unemployment subsidies, tax reductions for the unemployed ones, education fees, health care fees, and so on.

Image 7: Unemployment rates divided by education level shows a clear increase in unemployment rates for all education levels in the past two years, which is common sense since general unemployment rates grew in Portugal in the referred period.

Image 7: Unemployment rates divided by education level



Source: INE

Despite that, what's also true is that people with no level of education have experienced the largest growth in unemployment in the last year. Lower educated people are usually the ones to suffer the immediate effects of an economical crisis. Since their jobs do not need specialized workforce, thus involving lower compensations, they are the first ones to experience the effects of workforce reduction. Nevertheless, aside from higher educated people, this phenomenon seems to be spreading to all considered groups, being the ones with third cycle of basis education the more affected ones.

Bearing all this in mind, the urge to minimize this issue is imperious, in order to also minimize its consequences.

#### 4.2. The Latitude Program

In this context, Santa Casa da Misericórdia de Lisboa's (SCML) Department of Entrepreneurship and Social Economy, also known as DEES, seeks to offer a multitude of services, from public consulting to mentoring to its clients, while promoting social economy, social and inclusive entrepreneurship as well as employment. Through the creation of strategic alliances, resources are attracted as well as excellence skills, put to service in the mission of empowering excluded people (Damião, 2010).



To address this matter, during the year of 2010, DEES, under the guidance of Mr. Tito Damião, created a program called “Latitude”, aimed to the unemployed who seek to regain an employment condition and search for a career. Its mission consists in “*providing a solidarity service of consulting and career management, coaching and assisting in the employment search process and qualification*” (Damião, 2010:5).

Latitude will be implemented in Lisbon and targets people that fulfill the following conditions:

- Have more than 18 years old and less than legal retirement age;
- Inhabit in Lisbon;
- Have Portuguese nationality or foreign with valid residence permit;
- Experience difficulties in entering the labor market (unemployed, inactive and young people looking for first job);
- Independent workers with low income, dependent workers predicting end of labor relationship in a short-term and workers in unstable labor situations.

Latitude intends to complement operating public policies like Novas Oportunidades and Centros de Formação Públicos, who’s scale and resources enable reaching a great number of unemployed professionals or others looking for the first job, but lack the access to services of such kind, available only to top professionals and experts in private companies (Damião, 2010). It includes all qualified workers, long and short term unemployed, who need a career transition service due to poverty or poverty threat situations, but also young people looking either to enter the labor market or seeking a job that matches their qualifications. Latitude seeks not to be a replacement of skill recognition systems (Damião, 2010), but an enhancement and enrichment of these services, acting where the market fails by its own.

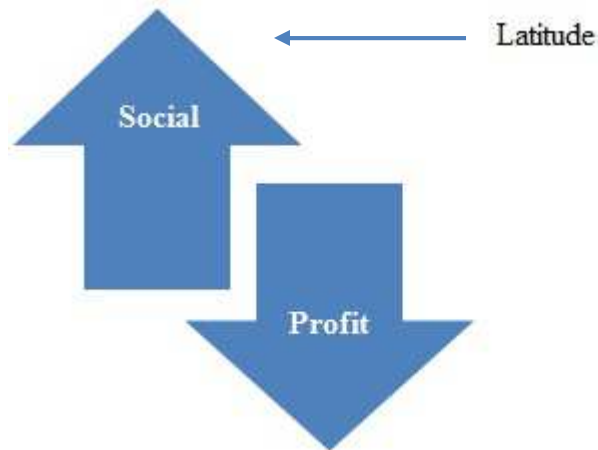
The objectives are supporting beneficiary clients in building a personal plan regarding employability and/or qualification; development of skills in employability area, as well as strategies for active job/qualification search; and follow the client in completing the personal plan previously mentioned (Damião, 2010).

This program configures itself as being social entrepreneurship put to practice. It attempts to bring social value to society (Seelos and Mair, 2005), eliminating inefficiencies and creating more effective systems that benefit especially the marginalized ones, as earlier pointed.

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Under the 3 dimension axis suggested by Peredo and McLean (2006), the Latitude program is clearly pursuing only social goals.

Image 8: Latitude's positioning



In this case, and as Shaw and Carter (2007:60) mentioned, income generation isn't essential to social entrepreneurship, since social entrepreneurship is only concerned about "*finding new and better ways to create and sustain social value*". Despite the fact that Latitude does not produce direct economic return, that doesn't mean it's not sustainable. The view proposed by Golden, Hewitt and McBane (2010) states that social entrepreneurs identify social problems and use innovative ways of delivering social change, achieving a positive economic return in order to provide sustainability of the change – which is the case of the program in study. By enhancing its clients' with valuable and up-to-date skills and providing tools for a better performance at work, Latitude creates value not only by reducing unemployment but also by enabling better efficiency and effectiveness at workplace.

Latitude is, as explained, a not-for-profit venture, pursuing only social goals. The choice of this type of venture is, in the lights of the tackled issue – unemployment – the only choice that made sense. If Latitude would seek direct economical income, unemployed clients would not have the means to pay for a program such as this, hence leaving them in the same situation; and the other possible way of reaching direct income would be selling produced goods or services to the public, incorporating unemployed clients in the productive process. This would not solve the problem because Latitude would internalize costs in an unbearable way and in the long run participants would not gain from this experience. The chosen path was to create economical return in an indirect way – by training employability skills clients are more attractive to employers; this

expectedly leads to an easier job finding process and, when participants are no longer unemployed and have a job social wealth is created. The choice of a not-for-profit model was, therefore, motivated by the issue addressed.

#### 4.2.1. The social entrepreneur in Latitude

Regarding Mr. Tito Damião as the social entrepreneur, a brief analysis is hence presented. In the light of what's been stated by Turner and Martin (2005:798) – social entrepreneurs are “*key individuals who are able to develop new, more responsive, methods of service delivery designed to reach groups who have been by-passed by mainstream programs*” – Mr. Tito Damião, Latitude's creator, can be considered a social entrepreneur. His adoption of a service providing model similar to the one outplacement companies offer (as will be demonstrated further on) is coincident with the definition of Zahra *et al* (2009:519).

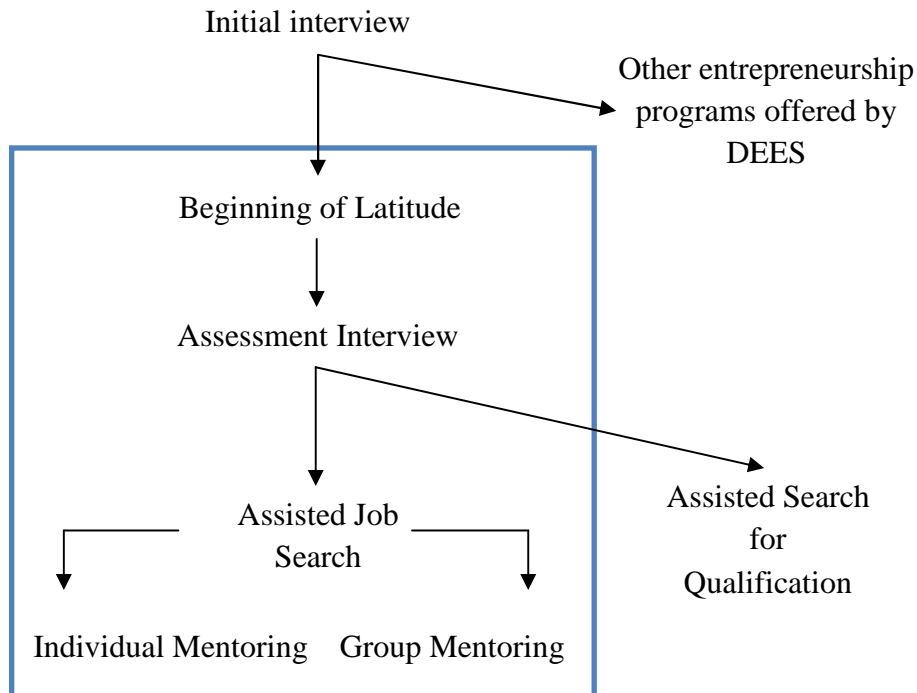
Waddock and Post (1991) stated that social entrepreneurs must possess three characteristics to develop a successful venture and achieve the desired change: complexity, credibility and commitment. In the person of Mr. Tito Damião, *complexity* happened when the unemployment issue was put into perspective, finding the need to create Latitude to solve such issue; *credibility* was used to gather resources and is still being used to build the network around Latitude, gathering partners, supporters, service providers and so on; and there is *commitment*, since we're talking about creating a project so needed nowadays that its social purpose and social need are beyond doubt. A program like this requires the action of myriad of actors, since these issues can hardly be solved independently (Neck *et al*, 2009). This can be thus seen as a *tailor-made* network, as mentioned by Hoogendoorn *et al* (2010:20), since it consists of contributions that enhance the venture's mission.

#### 4.3. The structure of Latitude

The selection process starts with an initial interview. Here, the candidates are chosen and a triage is made in order to fulfill the criterions; the ones who do not match the desired profile of a Latitude candidate are sent to other entrepreneurship programs from DEES and SCML, who provide technical skills and mentoring in developing a business plan.

Latitude's structure is depicted below.

Image 9: Latitude's Structure



#### 4.3.1. The Assessment Interview

After this initial interview, selected participants are called to attend another interview, and the program starts here. This comes in order to collect important information, and will be composed by certain elements that will be nuclear to draw the client's initial profile. From this interview will result the following elements:

- a) The personal skills bookmark;
- b) The E-Skills bookmark, which intends to identify computer skills present in the participant through a checklist. An outcome inferior than 12 points will result in a candidate suitable for Assisted Search for Qualifications. This will be completed by Latitude's technicians;
- c) The curricular portfolio bookmark, which will evaluate the client's curricular portfolio based on the curricular portfolio evaluation framework. This tool evaluates the participant based on a weighed percentage; if the result is inferior than 2.99 points, the candidate is suitable for Group Mentoring in Assisted Job Search; 3 or more points suggest Individual Mentoring in Assisted Job Search;
- d) The financial planning bookmark, which will provide an estimation of economical sustainability in months, taking into account the client's family

budget and other incomes such as social support or unemployment compensations.

At the end of this interview, filling of all these bookmarks will allow the technician, helped by the info system, to identify the intervention that figures as most fitted.

It is important to say that, as mentioned earlier, client's qualifications will be a decision criteria to be considered when choosing the right way to proceed, especially when it comes to clients without the minimum level of education required by law. But it is not the only criteria. Financial sustainability will also play a role in this equation, in order to be possible to balance between the participants who are less or more qualified and have more or less time before they enter bankruptcy situations.

From here on, there are three paths the participant can take:

- To do the Assisted Search for Qualifications, if the E-Skills result scored less than 12 points;
- To attend Group Mentoring in Assisted Job Search, if curricular portfolio evaluation framework scored less than 2.99 points;
- Or to attend Individual Mentoring in Assisted Job Search, if curricular portfolio evaluation framework scored 3 or more points.

#### 4.3.2. Assisted Search for Qualifications

The Assisted Search for Qualifications has as objective the facilitation in identifying qualification offers adjusted to the client and its career path. It consists in analyzing and processing qualification offers external to Latitude's structure. Clients can choose this path especially if they do not have minimum legal required qualifications, thus this posing as a valid alternative to complement their work experience or enlarge their opportunity scope. Partnerships developed by Latitude with training centers, learning associations, universities or a multitude of schools can prove to be very useful when looking for qualifications. This is an alternative to clients who do have longer periods of sustainability, whether due to family budget or unemployment compensations, searching for skills improvement in extended ways and adding value to future employers, with the possibility of returning afterwards to complete the Individual or Group Mentoring in Assisted Job Search.

#### 4.3.3. Group Mentoring in Assisted Job Search

Group Mentoring in Assisted Job Search is, expectedly, the most common path taken by Latitude's clients – with the reservation, however, of the program's not yet in action and thus making it impossible to forecast the profile of existing clients or its connection to what's expected in a very detailed level.

In this part of the program, participants will develop and consolidate portfolio instruments and employability strategies, in order to enhance their capabilities and reposition their career and career skills to find a new job. It aims at smoothing the transition process between unemployment and work force exclusion to a situation of employment and activity: *“it intends to provide autonomy and self-knowledge, through the elaboration and update of the client's curricular portfolio; continuous learning; self-esteem and ability to face recruitment processes; and autonomy in career management”* (Damião, 2010:11).

27 hours of training will take place divided by 11 sessions, which will contain:

- 1) Intro session for ice-breaking;
- 2) Initial job interview simulation: self and hetero evaluation;
- 3) Job search process: how to do and where to search for;
- 4) Curriculum vitae: basic concepts and development of a CV;
- 5) Presentation letter: basic concepts and development of a PL;
- 6) Career goals: different kinds of goals in time; fitting CV and PL to career goals;
- 7) Job interview: preparation, purpose and communication;
- 8) Networking: basic concept and how to establish a network;
- 9) Employability plan: why and how to elaborate; strategy beneath; development of a personal employability plan.
- 10) Final job interview simulation: self and hetero evaluation;
- 11) Curricular portfolio presentation and training evaluation.

In two distinct moments some tools are expected to be developed, which will make the evaluation of the participant's progress possible.

The Entrance Profile will be composed by:

- At session 2 (initial job interview simulation) the job interview simulation grid will be completed with self and hetero evaluation for all clients.

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- Self evaluation job interview simulation grid will provide a quantitative result by the sum of the score reached in each of the items;
- Same will happen with hetero evaluation job interview simulation grid;
- The average score of both self and hetero evaluation grids will be the Entrance Profile.
- Curricular portfolio evaluation framework results obtained in the Assessment Interview must also be made available;

The Exit Profile will be composed by:

- At session 10 (final job interview simulation) the job interview simulation grid will be completed with self and hetero evaluation for all clients.
  - Self evaluation job interview simulation grid will provide a quantitative result by the sum of the score reached in each of the items;
  - Same will happen with hetero evaluation job interview simulation grid;
  - The average score of both self and hetero evaluation grids will be the Exit Profile.
- New curricular portfolio evaluation framework will also be completed by Latitude's technician along with the trainee;

Apart from the Entrance and Exit Profiles, a Final Grid will also be developed. This grid will comprehend the curricular portfolio evaluation framework completed at the beginning (Assessment Interview) and at the end of the group mentoring, and the average score of both self and hetero evaluations in job interview simulations carried on both in session 2 and 10.

### 4.3.4. Individual Mentoring in Assisted Job Search

Individual Mentoring process will take place, but not only, if the participant scores higher than 3 points at the initial curricular portfolio evaluation framework, completed in the Assessment Interview. As referred several times before, Latitude aims to be a flexible program which seeks to fit the intervention to the client in the highest level of detail and attention. Therefore, the exemplifying case of a client who does have the qualifications needed for the job he's searching for, but fails to find it, whether due to market inefficiencies (lack of information, for example) or wrong self positioning – the path to undergo will be the individual mentoring, where a less structured set of sessions

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(ideally 5, but more if needed) will seek to solve specific issues that frustrate such search – where qualification already exists, but there's a need to recognize the flaws in the process of job searching and improvement points.

From the Individual Mentoring will result four bookmarks:

- The Entrance Profile, similar to the one in Group Mentoring with the exception of not having hetero evaluations in this case:
  - Self evaluation job interview simulation grid will provide a quantitative result by the sum of the score reached in each of the items;
  - Curricular portfolio evaluation framework results obtained in the Assessment Interview must also be made available;
- The Session Log will be created between the Entrance and Exit profiles in order to register the content of the scheduled sessions – 5 are planned to take place, adding more, if needed – and will have a list of values where the possible work areas will be summarized;
- The Exit Profile, similar to the one in Group Mentoring with the exception of not having hetero evaluations in this case:
  - Self evaluation job interview simulation grid will provide a quantitative result by the sum of the score reached in each of the items;
  - New curricular portfolio evaluation framework will also be completed by Latitude's technician along with the trainee;
- The Final Grid, resembling what happens in Group Mentoring, will comprehend the curricular portfolio evaluation framework completed at the beginning (Assessment Interview) and at the end of the individual mentoring, and the score of self evaluations in job interview simulations carried on both in beginning and end of individual mentoring.

The program also contemplates a follow-up that should take place in the first, third and twelfth month after the client ends its participation. This happens in order to gain knowledge of client's evolution in a program's evaluation perspective.

#### 4.4. The Impact Value Chain

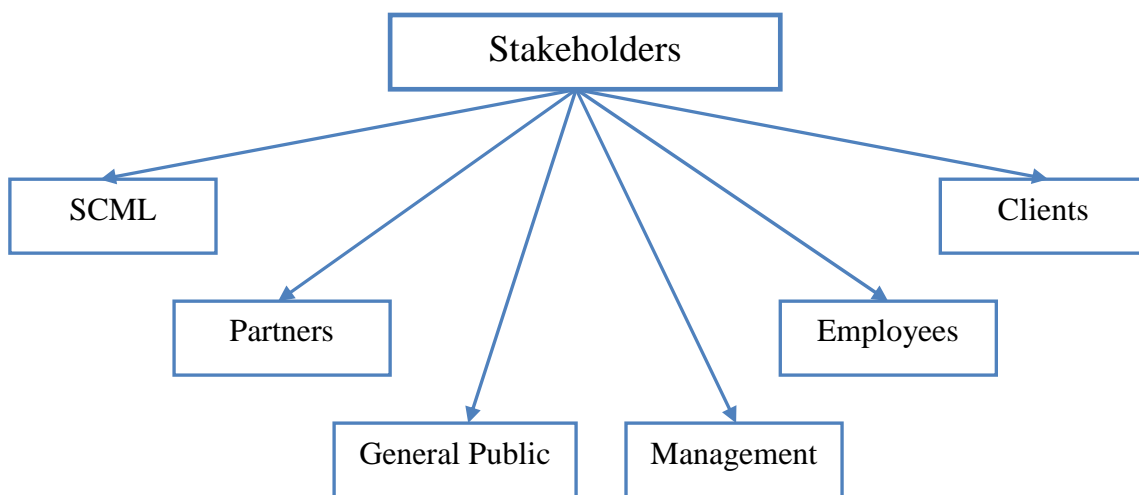
As explained earlier in this project, Impact Value Chain is a tool that shows in a simplified way how social value is created in the form of impact in society. By putting



to evidence *inputs, outputs, outcomes* and *impacts*, it allows the subdivision of components that take part in a venture's activity, making easier the determination of what impacts are really achieved, information truly relevant when it comes to evaluate performance whether as an investor or even as a social entrepreneur. As the authors state, impact is "*the portion of the total outcome that happened as a result of the activity of the venture, above and beyond what would have happened anyway*" (Clark *et al*, 2004:7).

In this case, the need to determine impacts' causes is important to a different range of stakeholders:

Image 10: Latitude's stakeholders



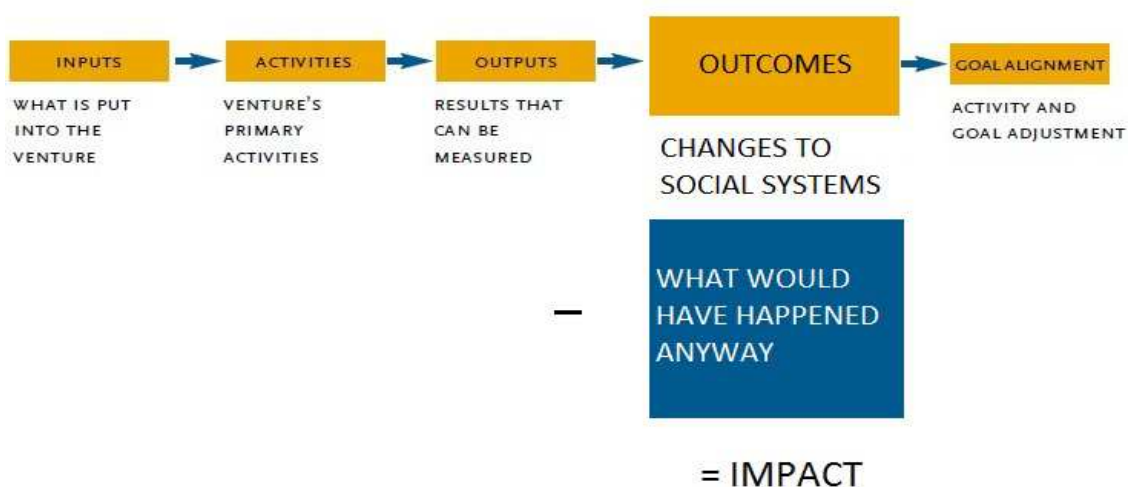
SCML is the supervisor of Latitude program, since this social project is included in the multitude of initiatives to promote the creation of social wealth from this organism; therefore, SCML is interested in having a real picture of Latitude's impacts in order to evaluate its importance and attribute funds according to the work developed. Same happens with Latitude's partners in another level; if they are aware of impacts caused and if Latitude presents itself as being helpful tackling the unemployment issue, the will to cooperate and create alliances will be enhanced, therefore gathering a large amount of resources and enlarging the program's network, fundamental tool to a social venture as described in literature review performed earlier.

As an organism withholding public concern, the public has to know what's being done to address social problems. Thus, they're also a stakeholder.

Management make decisions on a daily basis. The importance of having a control tool is beyond doubt; the need to assess, compare and redesign processes cannot be done without a proper instrument of impact measurement. The will to improve further on has to be supported by impact assessment. The program's clients/participants, core stakeholders, pose the need to know about the impacts caused by Latitude. It's in their best interest that the impacts achieved have the biggest expression possible – that would mean that they are part of that impact and also take credit in its cause. In order to take the decision of starting (or not) the program, they need to know what has been done and need to have reliable tools they can understand. If no clients search for Latitude's services, ceases the reason to exist. Same happens with Latitude's employees. Their knowledge of impacts caused and what has been achieved is a fundamental source of motivation and daily improvement.

This, along with the ease in comprehending and understanding the several components of Impact Value Chain, and the possibility of adding the SROI model, monetizing all dimensions previously listed, are the main reasons why this model was chosen. The possibility of showing to all enumerated stakeholders the impacts achieved bearing in mind their interests, needs and different points of view is an added value of this tool; the simplification regarding the division of a social venture into the described categories fits this not-for-profit project's needs. The possibility of later on, during the venture's activity add the SROI model and determine the social return on investment granted is of utmost importance, in order to complement what was done with Impact Value Chain *per se*.

Image 11: Highlighted Impact Value Chain model



Source: Clark *et al* (2004)

In fact, in the course of time it will be possible to complete all seven dimensions proposed by Impact Value Chain; but since Latitude is not yet put to work, that is not possible. This limitation will be explained further on along the study.

That being said, and with the purpose of understanding the impact value chain of Latitude program, an analysis contemplating the below presented categories will be developed.

#### 4.4.1. Inputs

The inputs are all the resources needed to operate and carry on the mission of the project – which is, as stated by Damião (2010:5), “*providing a solidarity service of consulting and career management, coaching and assisting in the employment search process and qualification*”.

Therefore, the inputs for Latitude program will be:

- The training room, equipped with one personal computer per each participant;
- The internal mentoring and training team, composed by 6 members. Each technician will have the following availability:
  - No more than 15% of available monthly time will be dedicated to support, and no more than 10 hours per week;
  - Approximately 10% of monthly time or 12 hours per month will be destined for training clients in group sessions;
  - Approximately 5% of monthly time dedicated to Latitude’s interviews, taking place in the first week of each month;
  - Approximately 36% of available monthly time will be dedicated to Individual Mentoring
- An informatics system custom-built;
- Other support materials, such as administrative records, pedagogical materials, grids, tests, templates of CVs and templates of presentation and reference letters.

#### 4.4.2. Activities

Activities are defined as the venture’s primary actions, that is to say, what the venture does and how it delivers products/services. Latitude’s mission consists in “*providing a solidarity service of consulting and career management, coaching and assisting in the employment search process and qualification*” (Damião, 2010:5), and thus, its activities

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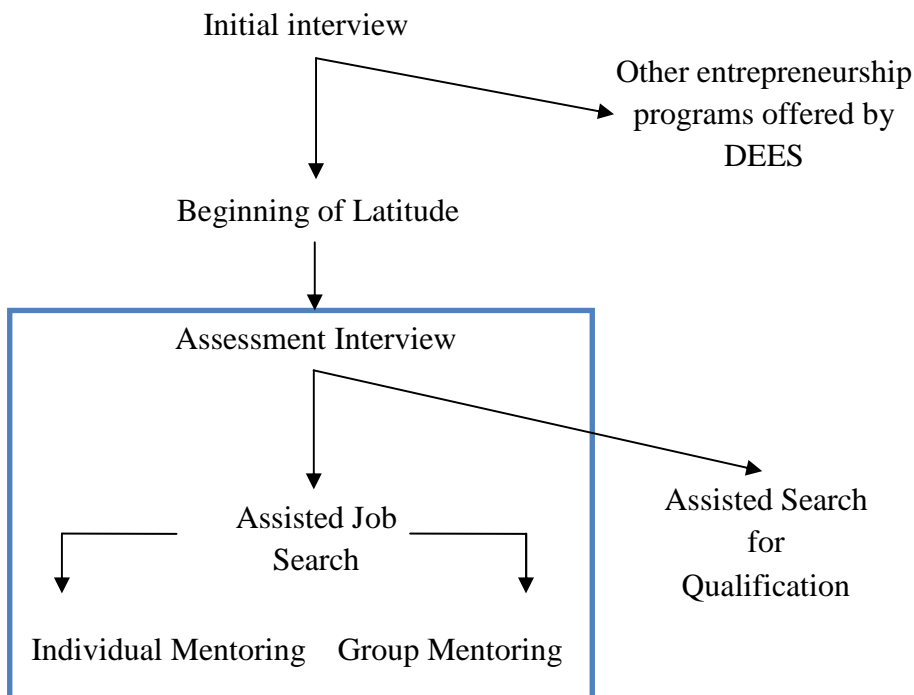
are what is done in practical terms in order to fulfill such mission and deliver results. They hence concern the main tasks performed by the program in order to offer the clients with the employability skills desired.

Activities can be defined as including:

- Assessment Interview, where the participants are conducted to the practical phases of the program;
- The Individual Mentoring in Assisted Job Search, where clients are guided in 5 top-customized sessions in order to achieve the objectives earlier planned;
- Group Mentoring in Assisted Job Search, where participants are enrolled in eleven training sessions covering main topics in employability skills.

These three phases represent Latitude's activities, as it can be inferred from Image 12: Latitude's activities. Assisted Search for Qualifications lays out of this list due to its external characteristics; it is expected that qualifications will be pursued in an outer scope, other than Latitude's; bearing, although, the possibility of participant's return in order to complete the remaining phases after qualification search – situation already explained.

Image 12: Latitude's activities



#### 4.4.3. Outputs

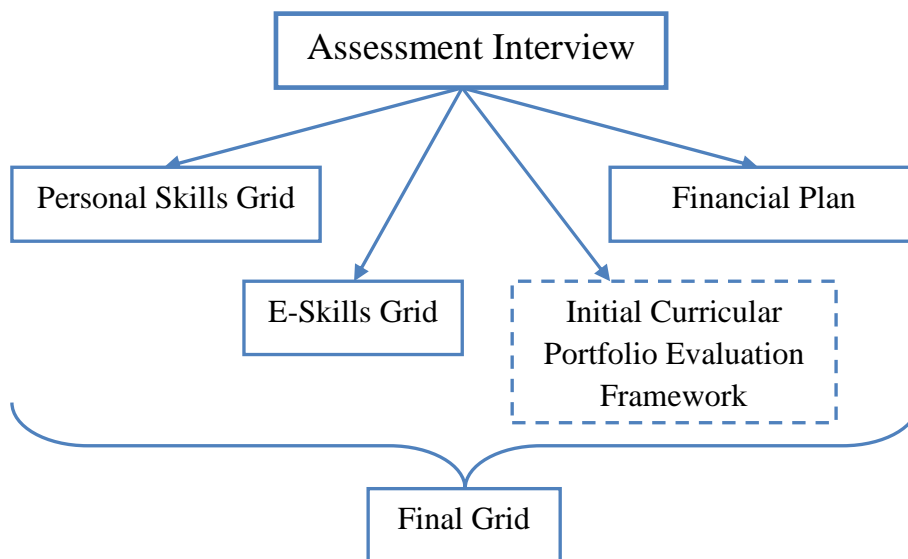
Outputs are defined as “*results that a company, nonprofit or project manager can measure or assess directly*” (Clark *et al*, 2004:6). Therefore, in Latitude’s case, the outputs will be the improvement of skills verified by the participants in the program. Since Latitude seeks to support its clients in building a personal plan for employability and develop employability skills, that’s what needs to be measured. These are the results, caused by previously listed activities, that Latitude aims at.

Most of the people enrolled in Latitude will hopefully carry the expectation of finding a job, and that will be their main motivation; however, that lies outside the program’s boundaries, since many factors can have influence on job finding process and those cannot be imputed to Latitude. That would be one of the *outcomes*, as will later on be explained thoroughly, because it results from the outputs achieved.

In order to measure the outputs, the documents that have been set to result from the activities listed will constitute the measurement tools of Latitude’s processes, serving to evaluate client’s performance comparing their scores at the beginning and at the end of the program.

The Assessment Interview produces what’s depicted below, in Image 13: Assessment Interview’s outputs.

Image 13: Assessment Interview’s outputs



These documents are produced by the Assessment Interview, the first activity to take place as soon as a Latitude’s participant is enrolled in the program. Despite that, only

## Social Entrepreneurship – a practical application in non-profit organizations

the Initial Curricular Portfolio Evaluation Framework will have an external evaluation role – the others serve only the purpose of guiding the client to the right solution, according to its profile, hence representing internal evaluation documents.

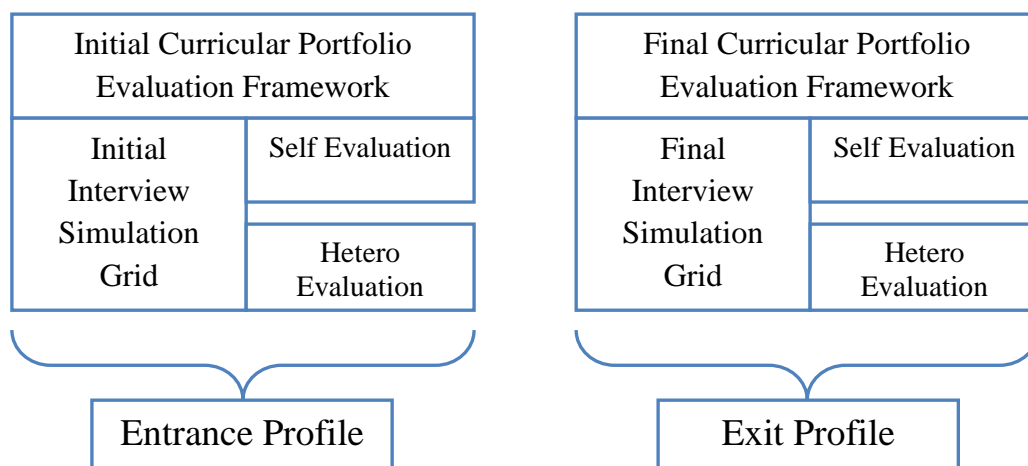
After the Assessment Interview, participants can be set up for one of two paths, Individual or Group Mentoring.

Group Mentoring will produce the following evaluation documents:

- Initial and Final Interview Simulation Grids (for self and hetero evaluation)
- Final Curricular Portfolio Evaluation Framework

These tools combined will then produce the Entrance and Exit Profiles. A scheme will help understanding these by-products (Image 14: Group Mentoring in Assisted Job Search outputs).

Image 14: Group Mentoring in Assisted Job Search outputs



The Curricular Portfolio Evaluation Frameworks (both Initial and Final) are composed by six categories, each scoring from 1 (lowest) to 4 (highest) and with different weights. The categories are Curriculum Vitae, Presentation Letter, Spontaneous Application, Networking, Job Interview Attitude and Career Goals.

The Interview Simulation Grids (both Self and Hetero Evaluation, Initial and Final) are composed by four categories: self-confidence, ability to express himself, attitude and effectiveness in delivering the profile. These four categories are ranked from 1 to 4 (being 1 the lowest score and 4 the highest).

## Social Entrepreneurship – a practical application in non-profit organizations

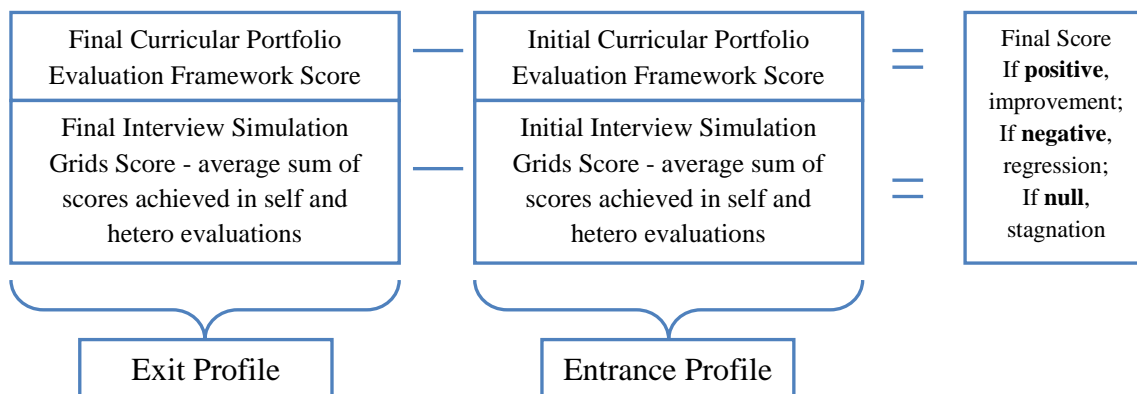
The Entrance Profile is composed by Initial Curricular Portfolio Evaluation Framework, (which will come from Assessment Interview as explained before) and by Initial Interview Simulation Grids (Self and Hetero Evaluations). The Exit Profile is composed by Final Curricular Portfolio Evaluation Framework and Final Interview Simulation Grids (Self and Hetero Evaluations).

In Group Mentoring, the score that will be included in the Entrance Profile is the average sum of scores achieved in self and hetero evaluations; same happens with the Exit Profile.

The main purpose is to compare Entrance and Exit Profiles to assess the participant's evolution and see if the scores show improvement.

Therefore, in order to reach for conclusions, the following elements need to be compared:

Image 15: Output production process

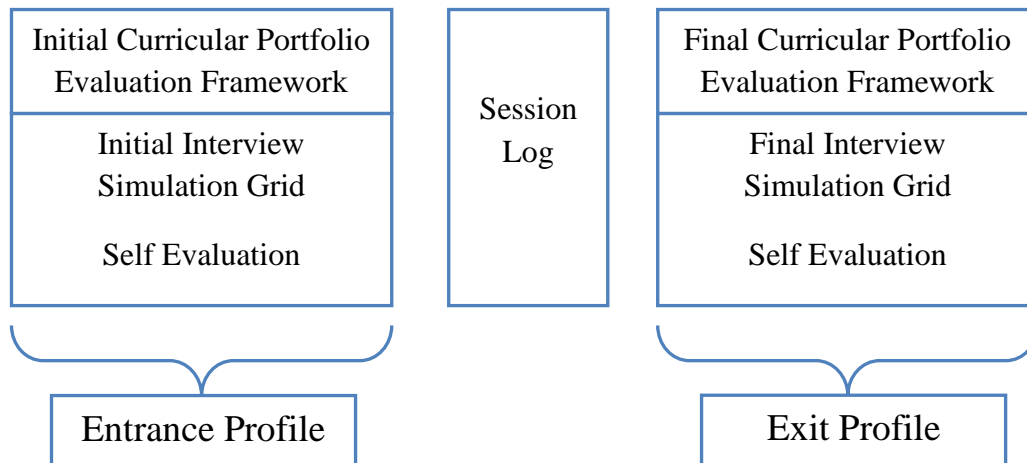


With the image shown above, it is understandable how the process of measuring outcomes comes to life. By using quantitative measurement tools to score both Entrance and Exit Profiles it is possible to subtract the Entrance Profile, that is to say, the skills possessed in the first moment, to the Exit Profile, or in other words, the skills possessed in the last moment, in order to determine whether a change occurred and in what way it did occur. If the score is positive (final > initial), it means that the Exit Profile scored higher than Entrance Profile, thus leading to the conclusion that the program has reached the goal of support its clients in building a personal plan for employability and development of employability skills.

All these documents, evaluations and conclusions will be available in the Final Grid, as mentioned earlier on in Latitude's structure.

For the Individual Mentoring in Assisted Job Search, the process is mostly similar, although harboring two differences.

Image 16: Individual Mentoring in Assisted Job Search outputs



The two differences regarding the Individual Mentoring, when compared to the Group Mentoring, are that there is no hetero evaluation interview simulation – the mentoring is, as the name says, individual – and there is another element that comes to light that, although not taking place neither in Entrance nor in Exit Profiles, should be considered as a qualitative dimension: the Session Log. It was explained in Latitude’s structure chapter that the Individual Mentoring would contain a Session Log, created along the five mentoring sessions in order to keep track of approached subjects and to summarize the work done. This tool should also be considered when evaluating the program’s outputs.

In conclusion, Latitude’s outputs are the results of activities previously listed. What was here explained was the way of measuring those outputs, in order to assess what has been done and move further on the Impact Value Chain. That being said, and due to the fact that Latitude is not yet operational, this is the last dimension that can be explained with precision at this point. All that comes further on depends on the outputs achieved by the program; and therefore, since they are the result from activities that haven’t yet took place, they’re left undetermined.

#### 4.4.4. Outcomes

The outcomes are defined as “*the ultimate changes that one is trying to make in the world*” (Clark *et al*, 2004:6). If the outputs are what measures progress achieving



change through Latitude’s work, outcomes are the indirect results of that change. And that is why it is not possible to determine Latitude’s outcomes in this phase, since the program hasn’t yet produced any outputs, as said before.

In order to determine Latitude’s outcomes, one would have to take into account the outputs produced; since the interconnection is clear – an outcome is an indirect result of Latitude’s work, and thus, by definition, a result of Latitude’s outputs.

As an example, one of the most important (if not the most important) and desired outcomes of Latitude is the client finding a job that fits his/hers curricular portfolio and career plan. Although it is the reason why Latitude was created in the first place, this cannot be seen as an internal objective. Many factors can have favorable or adverse effects on job offers and thus job search and finding, as explained while introducing this chapter. Latitude cannot control all those factors; what it does, instead, is provide tools so that their adverse effects can be minimized. That would be achieved through an improvement in employability skills, represented by a high score in evaluation documents previously listed. Therefore, the outcome “finding a job”, while lying outside the program’s boundaries, is the ultimate objective. Below are represented the main ones who benefit from the client’s job finding (Table 3).

Table 3: Results of finding a job

### Results of finding a job

Outcome	Stakeholders
Reputational Value; fulfillment; enlargement of network and increase in resources attainment	<b>Internal Stakeholders</b> SCML; Management; Partners; Employees
Financial autonomy, happiness, fulfillment	Client
Reduced expenses in unemployment benefits;	Government
Social cohesion; creation of social and economical value/wealth	Society

To the internal stakeholders it represents the feeling of a work well done and the fulfillment of helping to create social value to society, but not only. Social entrepreneurs, as said before, aim at tackling social problems with innovative solutions – and when they succeed, they fulfill their purpose. To Latitude’s partners this represents the corollary and validation of all the work done before, thus representing a paid out stake

and leading to the possibility of expanding the network and bringing more value to the program, in the form of professional coaches, internships and other options.

To the client, it represents the drop of unemployment burden. Finding a job within the desired field of activity means not only financial security and autonomy, but also fulfillment, happiness and the sense of an effort that paid out. The possibility of this meaning an increase in productivity is also high, since motivation would also increase.

The government doesn't have to go on paying unemployment benefits and other kinds of subsidies resultant from an unemployment situation – education, health, public transports and tax compensations, for example. It represents a save in public expenses.

For the society in general, employment brings social peace and creates social and economical value and/or wealth. This is where the issue of being a not-for-profit project and not creating direct economic return (and thus, to some opinions, not being sustainable) is tackled. With the creation of conditions to minimize unemployment, Latitude is creating indirect economic return, thus providing an indirect return on investment, gathered by the society in the forms above explained.

In order to evaluate these outcomes, it is crucial for Latitude to do an effective follow-up plan, in order to continue supporting its participants even after they left the “formal” phases.

#### 4.4.5. What would have happened anyway?

This contemplates the reality that would be verified if the program wouldn't exist. It is determined by balancing the outcomes achieved by the program with the ones that would be achieved anyway. For example, in the future, ten clients end the program and nine find a job in desired fields; what would have happened if Latitude wouldn't exist would be that among those ten subjects, a much lower number would find a job by their own means, if they even found a job at all, in the field they'd want to work at, as planned.

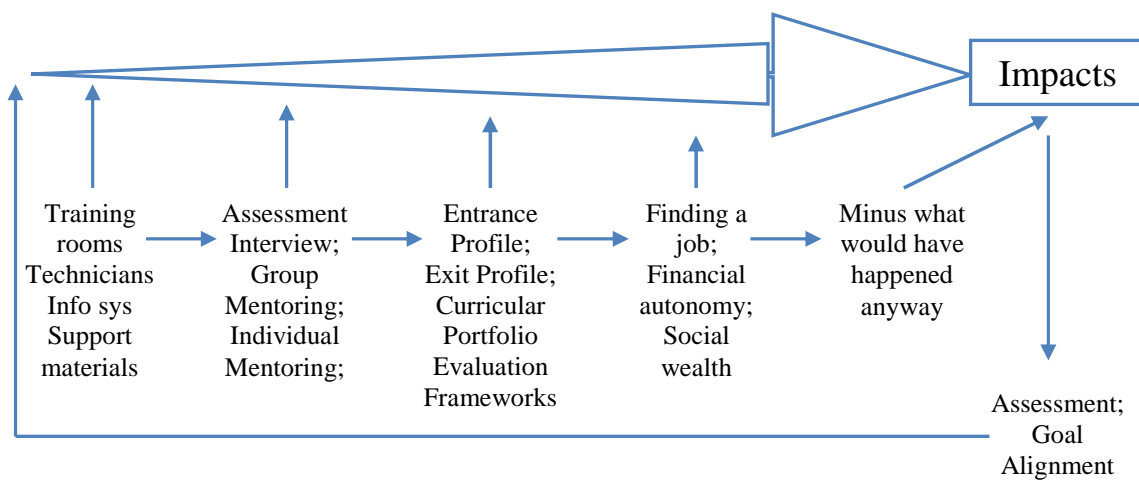
What would have happened if the Latitude program wouldn't exist is not yet possible to determine, due to unpredictability of several factors. Client's profile is one of them, for instance, and one of the main variables to consider. Despite the attempt to control the participant's profile and affluence to the program by restraining the disclosure policy, it is not possible to predict whether if the desired profile will eventually be verified in reality; if ten, fifty, or one hundred clients will enroll the program and in which emergency degree they'd stand. This leads to an impossibility in establishing what

would have happened anyway because there is no assurance of what will happen in the outputs, in turn influencing the outcomes, as a chain reaction.

#### 4.4.6. Impacts

The impacts are the result of subtracting what would have happened anyway to the outcomes. Ultimately, is what Latitude achieved, through direct outputs that cause indirect outcomes (the Impact Value model is a chain, linking the next dimension to the previous one), minus what would have happened if the program wouldn't exist.

Image 17: Latitude's Impacts



The impacts are the most important production of Impact Value Chain model. They represent the real change achieved by the program and are one of the most important indicators to take into account when assessing this venture, because they withhold all the work carried on until such stage, as shown by the scheme above depicted (Image 17: Latitude's Impacts).

#### 4.4.7. Goal Alignment

Goal alignment is the last phase of Impact Value Chain model. As any last phase in an evaluation metric, it concerns the comparison between the goals set at the beginning with the goals reached in fact.

Latitude's seeks through its activities to “provide a solidarity service of consulting and career management, coaching and assisting in the employment search process and qualification” (Damião, 2010:5). When evaluating the program, the undertaken path must be the one taken to reach this point but in reverse; starting with the impacts

achieved, establishing their causes (outcomes and outputs) and moving along to the activities and inputs that led to those causes, in order to understand what is incorrect and what can be improved, thus stepping carefully on the whole cycle.

#### 4.4.8. Model Application's Conclusions

What can be concluded from the application of this model is that the impact determination is resultant from a cycle of other previous variables, like most of evaluation models, coming to an end that is followed by the restart of all the process. That is the reason why it is not possible to move further than explaining how outputs will be calculated. The other variables remain unknown until the operation of the program.

Still, this chapter intends to provide a matter-of-fact view of Impact Value Chain, leading the way to its practical application in the future. As completing what can be completed at this point, this model leaves a guidance in future steps needed to apply the dimensions missing and thus reaching the real impacts caused by Latitude.

A brief note regarding the SROI model is also important. With the conclusion of Impact Value Chain's application, the introduction of Social Return on Investment would also prove to be very helpful, monetizing and attributing value to all the work done before, completing what has been done until that point.

## 5. Implementation forms

Since Latitude program is not yet operating its scheduling is difficult to determine. Many processes need to take course before the program is initiated, such as establishing contacts with potential clients, gathering formal partnerships and preparing the logistical inputs assigned to the program, as the ones earlier mentioned.

However, what can be stated with certainty is that Latitude will have a pilot project – and for that pilot there isn't an assessment schedule defined so far. The table below shows the dates that are already programmed, along with a suggested timetable parallel to the pilot project, contemplating the assessment process.

Table 4: Pilot Project Schedule

	November 21 to 25	November 28 to December 9	December 12 to February 20 2012	March 20 2012	May 20 2012	February 20 2013
Pilot Project	Contacts with potential clients	Assessment interview	Mentoring sessions in assisted job search	1 <sup>st</sup> month follow-up	3 <sup>rd</sup> month follow- up	12 <sup>th</sup> month follow-up
Assessment Schedule	Assessment of inputs and activities;	Creation of initial curricular portfolio evaluation framework	Creation of entrance and exit profiles; outputs assessment	Assessment of outcomes	Assessment of outcomes	Assessment of outcomes; what would have happened anyway; determination of impacts; goal alignment

On the first stage of this pilot along with the contact of potential clients the assessment of inputs and activities should be made. The listing of these components can be done at this stage in order to prepare the referential of the Impact Value Chain model to apply.

## Social Entrepreneurship – a practical application in non-profit organizations

At the moment that the Assessment Interview is finished comes the creation of the Initial Curricular Portfolio Evaluation Framework, which will be part of the Entrance Profile created during the mentoring sessions in assisted job search. The Exit Profile can be created as well at the end of this stage, therefore allowing the assessment of outputs. During the follow-up sessions that will take place in the first, third and twelfth months after the end of client's partaking it will be possible to assess the outcomes that result from participating in Latitude. At the last follow-up session, expectedly a year after the end of the program, the outcomes will all be listed (since these are changes to social systems not all may take place at the same time) and will be possible to list what would have happened if Latitude wouldn't exist, making possible the listing of impacts achieved. This leads to Impact Value Chain's final dimension, consisting in the Goal Alignment, that can take place immediately afterwards, comparing the impacts achieved with the objectives listed in the beginning of the program.

## **6. Project Conclusions**

Social entrepreneurship issue is a matter in discussion nowadays. Large progresses are being achieved in this area and, in scientific community, there's still a lack of consensus regarding many of the main definitions that compose this area. This lack of agreement manifests itself not only in theoretical fields but also has a natural reflection in day-to-day world. Many social entrepreneurial organizations struggle with the need to find acceptance in society and are trying to adopt structural models that bring credibility to the work done. At the same time, the impact measurement and metrics system play a central role in this credibility process – by being unable to develop reliable indicators of the real impact that's being caused, such work remains uncredited, and it is not possible to establish a cause-effect relationship.

This study intends to provide a practical application in one of the areas found in more deficit among literature research – the metrics and impact measurement systems in social entrepreneurship, as mentioned above. It intends to make possible the understanding of how impact measurement models fit organizations and their structure, bearing in mind the impact that one wants to create. With the practical application in the specific case of Latitude project, it is possible to observe how the type of venture to evaluate influences the model choice. Which impact is desired to be achieved is an important dimension to bear in mind. If the social entrepreneurship project wishes to attain only social goals, which is the case studied, and does not bear the interest for direct economical return, the concern must go in the direction of providing funders a reliable and credible source of analysis and evaluation, in order to allow them to have a clear perspective of where their money is being spent, and the importance of the work developed; at the same time, it is also important to let society and the public in general know what is being done and what is being achieved, or is planned to be achieved.

The introduction of Impact Value Chain model to determine Latitude's impacts creates the possibility of having an insight of what will be achieved and, like any other assessment tool, compare it with the venture's mission and objectives in order to provide feedback and update any of these aspects. To see if what is being achieved complies with what's intended to achieve is cornerstone in evaluation models, and the principle stands in the case of Impact Value Chain.

By separating Latitude's elements into inputs, activities, outputs and outcomes, this study prepares grounds to enable further conclusion drawings in matters of impacts.

### 6.1. Limitations

It is important to mention that literature found in this review regarding social entrepreneurship was very scarce. Due to the breakthrough the concept it represents, and to its recent limelight among dedicated scientific community, there's still not yet much to start from. There are no consensus regarding the definition of social entrepreneurship, which makes difficult the evolution and development of the matter. This study was also influenced by such factor, with the literature review being limited to what is here exposed.

Evaluation forms and models are part of what's being hindered by the causes above mentioned, thus, again, leading to a limitation in this study. From what has been researched, there is still a lack of scientific production in some matters like the one approached in this study. This leads to an absence of measurement models also in practice, leaving this task to unfitted templates and frameworks adapted from traditional entrepreneurship, who seem to fail when it comes to assess the true impact as a whole – social, economical and environmental.

The fact that Latitude project is not yet operating also represents a limitation. Some basic aspects cannot yet be evaluated to its full extent, meaning that this study is limited to a template with which Latitude project's impacts will be evaluated further on; despite the attempt of confining variation into small boundaries, and even this is not possible in some cases, reality always proves to change some forecasted aspects.

### 6.2. Contributions

This project contributes to shed some light in the metrics used in social entrepreneurship issue. As expressed earlier in this work, with the application of Impact Value Chain tool a reference for future evaluations is herein provided. With the contribution of this study, it is possible for stakeholders to determine a cause-effect relationship when it comes to impacts caused by Latitude. Since it is a public funded program, this aspect withholds even more importance, with the need to justify investments to the public in general, and to show real actions in matters of dealing with unemployment.

With the application of Impact Value Chain, it also leaves a referential ready to apply the SROI (Social Return on Investment) metric. By defining what matters the most to Latitude, it is possible to clear exogenous aspects, focusing on internal processes and thus ascertaining what causes effects, or impacts. This also opens the door to the



possibility of monetizing the impacts achieved by the program in the future, allowing conclusions in quantitative terms, and thus facilitating the process of decision making.

### 6.3. Recommendations

Social entrepreneurship has, as many dedicated authors pointed throughout their work, the potential to cause change; change in social systems, *status quo* and especially in times of convulsion such as these we now experience, the potential to provide new solutions and new ways to re-design processes that were found to be out-of-date. There's a hope – and a need – to do more with less, which is the challenge modern societies face nowadays. But in order to fulfill this potential there's also a need to disseminate and spread out this concept; through universities, local associations, schools, employment centers, and so on, decision makers, entrepreneurs (here as people who possess the initiative and courage to take action) and populations need to have an insight and gain conscience that it is possible to be sustainable, to pursue goals that enhance communities' living standards. Awareness is the first step to take action.

In a different note, for social entrepreneurs that intend to apply measurement tools and metrics in order to identify the impacts caused, recommendations go in the way of investigating and researching for the best model that suits the project's specifications. There's still a lack of theoretical frameworks in this area, which reflects in reality, but in time this can be overcome with the emergence of new theories and incremental innovation. Be aware of what type of impacts are desired, and their nature. If financial impacts are desired, such as profit and return on investment to stakeholders, a measurement system that includes this perspective will be useful to the ones who intend to invest in the venture, and later on, collect such profits.

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