

## The Balance of the Social Enterprise

Profit-oriented firms possess instruments that assess their economic situation and their field of activity with relative clarity: the balance sheet and profit and loss account. Although they do not encompass the full reality of the enterprise, financial reports have a tremendous advantage in that they are brief and easily summarized. An analysis of their evolution casts light on more than just pure financial information. The success or failure of new products, a sound personnel policy, etc., are reflected in the long term in the financial report.

The past years have witnessed the development of an interesting concept known as the **social balance**. This concept stresses that an enterprise must exhibit not only positive **financial results**, but also ó because of its social responsibility ó **social results** as well.

This praiseworthy initiative, however, remains wrapped up in theory, and carries almost no practical consequences. One reason for this could be the argument that the goal of an enterprise is not to generate social results, but to achieve economic profit. This idea, prevalent up through the 1980s, is slowly losing importance. Replacing it is the idea that a private enterprise involves the sharing of social responsibility. Still, I must say that, outstanding as this concept of **social balance** may be, I have not yet seen one clearly and comprehensively formulated.

Although the **annual reports** of **social enterprises** (organizations that promote the common good, without pursuing own interests) are often extensively detailed, they still fail to substantiate the reality and the achievements of the social enterprise. A financial report, or a financial summary, usually belongs to the review of yearly activities. This financial summary reports on the origin and use of resources in projects and philanthropic activities. From this can be derived a certain rate of efficiency, but it is ultimately unable to measure the **social profitability** of the social enterprise.

Comparing the financial reports of two profit-oriented enterprises within the same industry provides a rating of their profitability. If I am contemplating an investment and assume that both enterprises have reached a comparable level of development, then I will logically choose that company which promises the greater profit. Otherwise, there would be other criteria at work, such as moral, psychological, or emotional.

The social sector still does not possess instruments capable of determining social profitability with clarity. That is, it is not able to measure the effectiveness and benefit of the initiatives carried out. The potential donor ó investor ó has no reliable parameters by which to orient himself, by which to choose whether to endow this or that organization. In many cases, he is forced to make decisions about his social investment solely on the basis of sentimental, intuitive, or friendship criteria.

Precisely for this reason, it is very important that the social enterprise possess instruments capable of clearly articulating its worth. The **balance of the social enterprise** should reflect

its intended purpose: the social benefit to be achieved over a given period of time. First, the parameters that define the social benefit must be determined. At the same time, a methodology for quantitative and qualitative data collection must be developed. These requirements will of course vary depending on the specific focus of the social activities.

This research and its translation into practice poses an unavoidable challenge. The science of social development has already taken the first strides toward achieving this goal. No effort should be spared in ensuring that this work proceeds in accordance with human dignity. The beneficiaries of this progress are the beneficiaries of the social projects, and this is the reason for and the goal of the social enterprise.

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