

SOCIAL BENEFIT - SOCIAL ENTERPRISE

Last year I presented a framework for the balance sheet of the social enterprise based on the expertise (assets) and expectations (liabilities) generated by its activities. The social enterprise was defined as “the nonprofit organization (NPO) that promotes the common good, without pursuing its own interests.” Although I think it is a suitable definition, it is too abstract, and may include many NPOs that do not have an entrepreneurial attitude¹. In the present paper I would like to approach this subject from the perspective of the social benefit, which in my opinion provides the key to clearly differentiate the social enterprise from any other kind of organization.

The **social benefit** achieved by a social project can be defined as the improvements attained in the living conditions of its beneficiaries that are directly attributable to the project. All different kinds of improvements can be related to one of the four groups of benefits shown below, which I refer to as the **components** of the social benefit:

- Individual tangible goods (economic nature)
- Individual intangible goods (intellectual or spiritual nature)
- Collective tangible goods (ecological nature and basic infrastructure)
- Collective intangible goods (socio-cultural nature, for the community).

This can be represented in the “**matrix of social benefit**”:

Goods	Individual	Collective
Tangible	<i>Economical</i> <ul style="list-style-type: none"> - level of income - housing conditions - health conditions - etc. 	<i>Ecological</i> <ul style="list-style-type: none"> - quality of the environment - sanitation - waste management - etc.
Intangible	<i>Personal</i> <ul style="list-style-type: none"> - general cultural level - professional level - self-esteem - values - etc. 	<i>Community level</i> <ul style="list-style-type: none"> - intra-family relations - community solidarity - security and peace conditions - etc.

These components are the endogenous constituents of the social benefit generated by a social project. On top of these elements, a social project can achieve a higher social benefit if, for instance, it has an innovative character, or if it can be easily cloned.

¹ For a more comprehensive explanation, see “From NGO to Social Enterprise” Editorial of the Limmat Foundation Annual Report '95.

OPTIMIZING THE SOCIAL BENEFIT

What distinguishes an enterprise from many other organizations (associations, clubs, etc.) is not what they do, but how and why they do it. A group of friends who gather together to dance does not constitute an enterprise. But if this group gets organized and forms a dancing club to be exploited as a business, it becomes an enterprise. And the profit, which was irrelevant in the first case, turns into a main goal of the same artistic activities. In a certain sense it can be said that the group of friends becomes an enterprise when their purpose is to earn money with their activities and get organized accordingly².

Applying the same kind of reasoning to the social sector (which in my opinion is absolutely valid), we can say that **a nonprofit organization becomes a social enterprise when it consciously aims at optimizing³ the social benefit** generated through its social activities, and gets organized accordingly.

Therefore, the decisive constituent of a social enterprise is its awareness that all of its activities have to aim at the optimization of the social benefit. This principle is very demanding, for it constantly calls into question our decisions concerning the fund allocation, the fixing of the objectives and other strategic choices connected to the management of the social projects. The criteria to conclude to support or carry out a concrete social project will be based on its expected social benefit. Any other kind of consideration should primarily not be taken into account⁴.

Optimizing the social benefit achieved by a project also means to consider its impact on each of the four components. Needless to say, depending on the type of project, the impact of each component of the social benefit must be weighted differently.

For example, in a project to train micro-entrepreneurs, the weighting of the economic goods will be higher than that of the personal, ecological or socio-cultural goods. But it would be incorrect to consider the improvement of the economic goods as the only objective to be attained by the project. In fact, a worsening of other components of the social benefit could offset the improvement achieved in the economic goods. Therefore, the project proposal and the subsequent evaluations have to take into account the other components of the social benefit.

THE OBJECTIVES ATTAINMENT RATIO (OAR)

A practical consequence of the social benefit model is the drafting of the objectives attainment ratio (OAR). With the advice of experts in different types of social projects from all over the world, we are establishing a weighted ratio for different kinds of projects.

The OAR measures the results of the projects for each component of the SB. It is an internal appraisal that basically shows how much a project has achieved or is achieving in relation to its set objectives. It will also give some indication of the social benefit created by the project as long as the results are measurable, the objectives have been clearly defined, and are appropriate

² Pérez López, Juan Antonio, Fundamentos de la dirección de empresas. Rialp, Madrid.

³ I prefer the term optimization to maximization, although in most cases they are equivalent.

⁴ Accordingly, an organization that for instance, bases its choice of social projects to support on political or religious criteria cannot be considered a social enterprise.

and effective in solving the social problem. The OAR will be a measure of the effectiveness⁵ of a project.

Furthermore, the OAR will make it possible to compare projects of the same type within a social enterprise or amongst different social enterprises. This comparison can be useful for future social investment decisions related to selecting of the local partners implementing the projects, the geographical location, and/or the type of social projects.

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⁵ A project is effective when it solves the social problem for which it was implemented. Furthermore, it is efficient when it attains its objectives optimizing the resources allotted.