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**STRATEGIC AND OPERATIONAL DESIGN OF PMS FOR SOCIAL
ENTERPRISE**

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"If I could be useful to another human being, even for a day, that would be a great thing. It would be greater than all the big thoughts I could have at the university."

- Muhammad Yunus (1940)-

Abstract

This thesis aims to develop a strategic and operational PMS design for social enterprise.

The global growth in social entrepreneurship over the last decade has been impressive (Defourny and Nyssens 2008); there has been a general belief that social entrepreneurship is a "good thing" while social enterprises (SEs) have been proposed as a potential response to some critical problems of our society, with relevant impacts in term of social value creation (e.g. Thompson et al. 2000; and Nyssens, 2001; Borzaga, 2001; Alvord et al. 2004).

Social Enterprise definition

Founding principle of a SE is the idea of transforming the maximization of profit and wealth creation – the final goal in the classical theory – in the means by which the "social entrepreneur" fulfils unmet social needs. Similarly social benefit, which is the final goal for the non profit system, – becomes the true "business idea" which needs to be exploited, managed and realized with some of the instruments of the classical theory. As a result, SEs occupy a unique space within the economy and can be positioned somewhere in between profit and not for profit sectors (Dart, 2004; Alter, 2006; Mason et al. 2007).

There are different SE definitions (reflected in different legal framework across European and non European countries), however, we pinpoint two specificities that can be used to characterize the essence of a SE: SEs are

(1) multi-objective organizations – i.e. SEs achieve with equal priority the economic objectives related to their entrepreneurial nature, social objectives related to their specific mission of producing benefits for the community and environmental objectives.

(2) with a multi-stakeholder governance – i.e. SEs are highly participative in nature and are characterized by a constant involvement of internal and external subjects in their strategic choices. This kind of involvement is essential (i.e SE can't do without) to understand the real needs of the context. (Defourny, 2001; Nyssens, 2006; Weerawardena, 2006).

The research problems

This specific configuration (multi-objective organizations characterized by a multi-stakeholder governance) makes crucial to SE survival the possibility of demonstrating

their contribution to socio-economic development (Bull & Crompton, 2006; Marks & Hunter, 2008) and improving their efficiency and their ability of competing on the market and to be transparent and accountable to internal and external stakeholders (Young 2002; Kerlin, 2006; Alexander et al., 2010). Marks (2008) highlights that this is at least partly due to the lack of a consistent performance measurement system.

The research objectives

This research aims to contribute to the current debate investigating how SE results can be measured, (i.e. how a PMS for social enterprise can be developed) with respect to their social, environmental and economic impact, considering the characteristics of SEs i.e. SEs are multi-objectives and multi-stakeholders systems. The proposed approach aims to provide operational guidance to identify SE's relevant stakeholders and their informative needs; to identify the dimensions against which SEs performances should be assessed, considering the stakeholders expectations.

Research development

To achieve this objective, the research is articulated into five steps.

First step: survey

The first step is to develop an exploratory survey aiming at the definition of the Italian SEs' information needs. The questionnaire is sent by e-mail to 757 valid contacts. Finally, 90 SEs answered to the questionnaire with a 12% response rate. Based on the survey results we define the characteristics to which the PMS for SEs has to respond:

1. Complete	to represent the different aspects of the business: Multi-purpose, multi-stakeholder, strong consistency with the social mission
2. Selective	in particular has to capture the relevant aspects: economic, social, environmental
3. Able to identify the specific responsibilities	it measures the performance indicators for each organizational unit through which the units can influence with their actions, for areas and projects
4. Measurable	it has to associate to each performance one indicator that must be objectively detectable
5. Dynamic	to be constructed that it follows the dynamics of the organization, has to follow all evolution: evolution and rapid changes of SE to respond to social needs
6. Reliable and accurate	to be able to correctly assess the impact of performance monitored with respect to the overall objectives: measurable and credible data
7. Simple	easy to use , comprehensibility
8. Timely	the ability to quickly provide the information requested

Table 1: PMS characteristics for SES

Second step: literature analysis

This step consists in the literature analysis, where we analyze the strengths and weaknesses of the existing tools to measure SE value (i.e. against the PMS characteristics for SE): the economic monetization methods: Social Return on Investment (SROI), (NEFE, 2007); the methods based on the Balanced Scorecard: BSC Model of Bull (2007), Social Enterprise Balanced Scorecard (SEBSC) of Somers (2005), the BSC adapted of Kaplan (2001); the model of justice in the management of organizational stakeholders of Simmons (2003); the specific methods for the social impact assessment such as the "SIMPLE method" of McLoughlin et al. (2009) and the multidimensional control system proposed by Bagnoli & Megali (2011).

We report the synthetic results of the analysis in Table:

PMS	1	2	3	4	5	6	7	8	
SROI	○	\	○	×	○	○	○	\	1. Complete
BSC Bull	\	\	\	\	○	×	\	×	2. Selective
SEBSC	\	○	\	\	○	\	○	○	3. Able to identify the specific responsibilities
BSC adapted	×	\	-	○	\	\	×	×	4. Measurable
SIMMONS	×	\	-	○	\	\	×	×	5. Dynamic
SIMPLE	×	×	-	\	\	\	○	\	6. Reliable and accurate
Bagnoli-Megali	\	\	\	\	\	\	×	\	7. Simple
									8. Timely
									○ = Low
									\ = Medium
									×
									- = feature not defined

Table 2: Limits of existing tools

Considering that these methods didn't respond completely to the PMS characteristics defined, we relied upon three different streams of literature for the creation of an ad hoc performance measurement system for SEs:

- Third sector literature on performance management, from which we derived the idea of internal and external stakeholder involvement in performance management, the need to meet their information needs and priority and the tools to manage the process of involvement and information gathering.
- Public sector literature on performance measurement, based on the three Es framework - i.e. Economy, Efficiency and Effectiveness, to more elaborated models that consider the long term impact on society (impact and outcomes)
- Literature on sustainability reporting within the for profit sector: from here we highlighted the need of standard indicators and protocols to ensure the Ses accountability.

Third step: the proposed approach

In this section, we defined a guide to the development of a performance measurement system (PMS) for SEs. This approach is based on the SE features, the PMS characteristics defined in step one and the results of the literature analysis. We first defined the overall model – i.e. the performance dimensions that should constitute the framework for measuring performances in a SE:

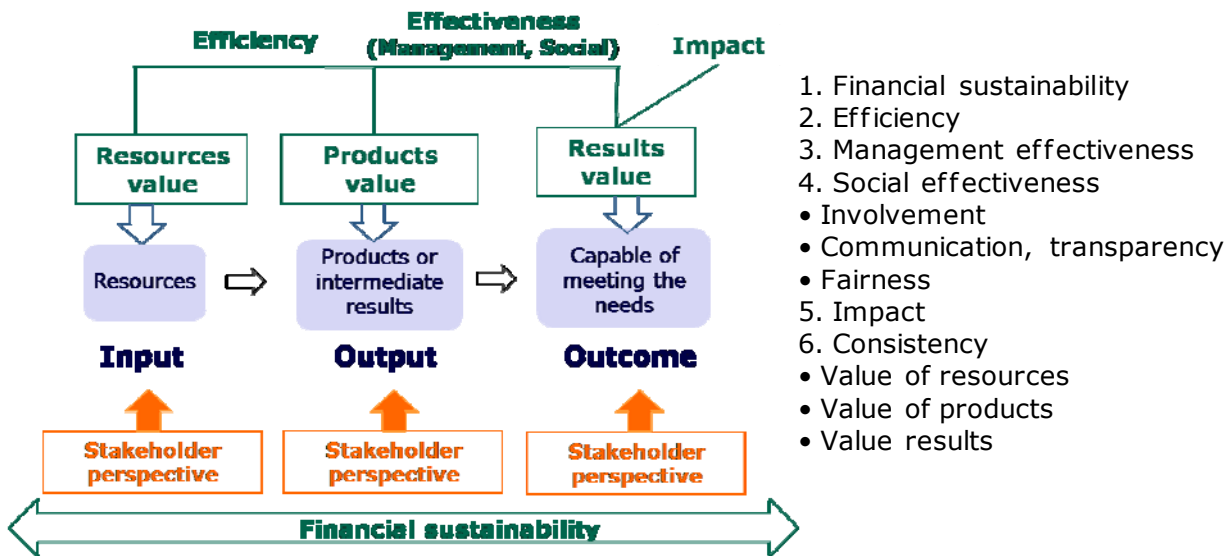


Figure 1: The model proposed and the related dimensions

Second, we defined the steps that should be followed to enact the framework and development of a PMS:

- Stakeholder analysis, which aims at identifying key stakeholders.
- Identification of the information needs for each stakeholder and the key features of internal and external processes of the SE, aiming to associate to each stakeholder the performance dimensions most coherent with their information needs,
- The construction of the PMS defining a set of indicators coherent with the specific context in which the SE competes.

Fourth step: conceptual validation

The fourth step is a conceptual validation. This phase has the objective to test the model compliance, from a theoretical point of view, in meeting the PMS requirements for SEs and test the model capacity to meet the information needs of potential users (banks, Social Enterprise Networks, associations), through the measuring units defined. The conceptual validation is provided through interviews with two panels of experts:

- The first panel is composed by experts of the field coming from the academic world and in particular from EMES (European research network on Social Enterprise)
- The second is composed by practitioners, potential users of the model proposed, selected upon their previous experience on performance measuring.

Discussions with experts allowed us to validate the model's effectiveness in answering the SEs PMS specifics and the performance dimensions are confirmed by the examined potential users.

Final step: Pms Implementation in 5 cases of Italian social enterprises

In this section, proposed model is applied to five SEs to verify its applicability to real cases. For each cases we identified the specific characteristics, the information needs of each stakeholder and we associated to each stakeholder the performance dimensions most coherent with their information needs, finally we built the PMS defining a set of indicators coherent with the specific context in which the SE competes and we collected the feedbacks from key actors.

The table 3 shown the five cases analysed:

	<i>CediS</i>	<i>Cantiere del Sole</i>	<i>La fabbrica di Olinda</i>	<i>Di Mano in Mano</i>	<i>EFrem (Energy Freedom)</i>
Sector	Production Energy	Water system Photovoltaic systems	Catering and hospitality	Recycling	Renewable energy, training
Forms used	Coop.Society	Social Coop. type B	Social Coop. type B	Coop.Society	Association
Social Mission	Development territory	Working Integration Environmental protection	Working Integration	Environmental protection	Increasing culture on renewable energy in LDC
N. employees	22	15	17	44	15
N. members	2946	18	52	40	30
Year Founded	1904	2003	1999	1999	2007
Annual revenue (2010) €	4.034.039,57	4.421.173,00	848.400,21	2.199.593,00	180.000
Geographic Area Impact	Municipality of Trento	Brescia	Milano	Milano	Burundi, Kenya, Ivory Coast, Ghana, RDC, Rwanda
Activities	Electricity, production, Telephony & Internet provision, Control water, gas facilities	Design, installation, maintenance of electrical and hydraulic power-saving	Service bar-restaurant, hostel, theatre management	Clearance , recycling and sale materials	Training of trainers

Table 3: the five cases analysed

The cases results validate the model applicability in different social enterprises.

The thesis contribution

From an academic perspective, this thesis can extend the current literature on SEs, since these issues are largely unexplored (Marks and Hunter, 2008). This work also contributes to shed some light on the characteristics of these organizations and their relevant performance dimensions. Second the final set of indicators covers the performance dimensions, regarded as relevant factors by the current existing literature on the topic. Moreover this work represents one of the few attempts to develop a managerial tool for SEs, making a connection among research in NPVO, research in sustainability and business ethics, and research in production and operations management. Finally compared to existing models, the proposed approach captures SE specificities.

From a practitioner perspective, this work provides a concrete guidance to build a PMS that answer to SE characteristics.

Limitations and future research

Regarding the conceptual approach, it is important to highlight that quality of results is directly dependent from the quality of the actors involved in building the PMS. This process ensures the completeness of the model but at the same time involves lengthy time for the information collection. Therefore future research could make an attempt to standardize the information needs and related indicators. The empirical analysis on other SEs could also be extended. Finally, since external pressure is increasingly calling for synthetic measures of SE's value (Nicholls, 2009), this thesis can provide a starting point to move in that direction.

Contents

I. CONTEXT	1
1. The Social Enterprise	2
1.1 The origin of social enterprises.....	2
1.2 Social Enterprise definition	8
1.3 The common characteristics of Ses.....	13
1.4 The SEs in Italy	15
2. The research problems and objectives	16
2.1 The rise of the "measurement issue"	16
2.1.1 Accountability, transparency issues.....	18
2.1.2 Founding problems	18
2.1.3 Problems of Management skills.....	20
2.2 Shortcomings and performance measurement in social management	21
2.3 The performance measurement system.....	21
2.3.1 PMS for SMEs	22
2.3.2 PMS for SEs.....	24
2.4 The research objectives	25
2.5 The research articulation.....	26
3. Exploratory survey	28
3.1 Methodology	28
3.1.1 Questionnaire construction	28
3.1.2 Sampling description	32
3.1.3 Typology of analysis conducted on survey.....	32
3.2 Representativeness of respondents.....	33
3.3 Survey results	35
3.3.1 The respondents	35
3.3.2 What do SEs measure?	40
3.3.3 What SEs consider important?.....	42
3.3.4 Which difficulties?.....	46
3.4 Definition of the characteristics to which the PMS for Ses has to respond	48
II. APPROACH DEVELOPMENT	52
4. Literature analysis	53
4.1 Tools proposed to measure SE value.....	53

4.1.1	The Social Return on Investment.....	53
4.1.2	The methods based on the Balanced Scorecard.....	56
4.1.3	The model of justice	64
4.1.4	The SIMPLE method.....	67
4.1.5	The multidimensional control system model Bagnoli & Megali (2011)	70
4.2	Relevant tools and frameworks developed for other sectors	73
4.2.1	Third sector literature: the stakeholders perspective	74
4.2.2	Public sector literature: how to deal with heterogeneous outputs and outcomes?.....	79
4.2.3	The profit sector literature: the standardization of Key sustainability indicators	83
5.	The proposed approach.....	87
5.1	Defining the framework: SE Performance dimensions.....	87
5.2	Development of the approach	91
5.2.1	The stakeholder analysis	91
5.2.2	The association to each stakeholder the performance dimensions.....	94
5.2.3	The construction of the PMS.....	96
III.	APPROACH VALIDATION.....	99
6.	The conceptual validation	100
6.1	Objectives and methodologies	100
6.1.1	Panels selection	101
6.1.2	Analysis and data gathering	103
6.2	Results.....	104
6.2.1	Discussions with panel of experts: results.....	104
6.2.2	Results of interviews to potential users.....	107
6.3	Conclusions of conceptual validation	110
7.	Pms Implementation in 5 cases of Italian social enterprises	113
7.1	Implementation Methodology	113
7.2	Cedis-Storo' s case.....	119
7.2.1	Description.....	119
7.2.2	Stakeholders analysis	120
7.2.3	The information needs	122
7.2.4	The PMS construction.....	124
7.3	Cantieri del Sole's case	127
7.3.1	Description	127

7.3.2 Stakeholders analysis.	128
7.3.3 The information needs	130
7.3.4 The PMS construction.....	133
7.4 Oinda’s case.....	134
7.4.1 Description	134
7.4.2 Stakeholders analysis	135
7.4.3 The information needs	137
7.4.4 The PMS construction.....	140
7.5 Di Mano in Mano’s case.....	142
7.5.1 Description	142
7.5.2 Stakeholders analysis.	142
7.5.3 The information needs	145
7.5.4 The PMS construction.....	148
7.6 Efrem’s case	150
7.6.1 Description	150
7.6.2 Stakeholders analysis.	151
7.6.3 The information needs	153
7.6.4 The PMS construction.....	155
7.7 Conclusion	156
8. Conclusions.....	160
8.1 The issue.....	160
8.2 Research articulation	161
8.3 Strengths and weaknesses of the proposed approach.....	163
8.4 The academic contribution	164
8.5 The managerial contribution	165
8.6 Limitations and future research.....	165
Annex 1: Questionnaire survey	167
Annex 2: Bank stakeholder interview questionnaire	177
Annex 3: Stakeholder SE network interview questionnaire.....	178
Annex 4: Financial backer stakeholder interview questionnaire	179
Annex 5: Stakeholder employer/manager interview questionnaire	180
Annex 6: Questionnaire case example: CediS.....	181
References.....	185

I. CONTEXT

1. The Social Enterprise

"The social enterprise can make a contribution of great importance to the strategic reorientation of growth towards a new model of development, more sustainable and equitable, that might focus on the work and the human person". General Secretary of Unioncamere of Italy (2011)

"The importance to the European economy and society of cooperatives, mutual societies, associations, foundations and social enterprises (which together are sometimes referred to as the Social Economy) is now receiving greater recognition at Member State and European levels. Not only are they significant economic actors, they also play a key role in involving their members and European citizens more fully in Society. Social Economy enterprises are helping to meet the demands of a changing Europe. They are important sources of entrepreneurship and jobs in areas where traditional "investor driven" enterprise structures may not always be viable" Erkki Liikanen Member for Enterprise and Society of European Commission (2010)

1.1 The origin of social enterprises

The growth in social entrepreneurship globally over the last decade has been impressive (Defourny and Nyssens 2008) there has been a general belief that social entrepreneurship is a "good thing", social enterprises (SEs) have been proposed as a potential response to some critical problems of our society, with relevant expected impact in term of social value creation (e.g. Thompson et al. 2000; and Nyssens, 2001; Borzaga, 2001; Alvord et al. 2004).

According to the European Commission there are more than 11 million jobs in social economy across Europe, but membership of social economy enterprises is much wider, with estimates as high as 160 million. Millions of members therefore depend on

such enterprises in areas such as healthcare. Social economy enterprises represent 2 million enterprises (i.e. 10% of all European businesses) and employ over 11 million paid employees (the equivalent of 6% of the working population of the EU): out of these, 70% are employed in non-profit associations, 26% in cooperatives and 3% in mutual. Social economy enterprises are present in almost every sector of the economy, such as banking, insurance, agriculture, craft, various commercial services, and health and social services etc. (European Commission- Enterprise and Industry 2011).

At the basis of a SE, there is the idea of transforming the maximization of profit and wealth creation – the final goal in the classical theory – in the means by which the “social entrepreneur” fulfils unmet social needs. Similarly, the social benefit which is the final goal for the non profit system – becomes the true “business idea” which needs to be exploited, managed and realized with some of the instruments of the classical theory. Using a market-based approach, SEs incorporate commercial forms of revenue generation (creating economic value) as a mean to accomplish their social mission (creating social value). Profits and wealth creation play a role in the model, but they are the means used by SEs to achieve a social end, not the end in itself (Thompson, 2002).

Different motivations fostered the rise of social economy over the last 20 year. The first one is generally referred to as the "privatization of the public responsibility for public welfare", with a reference to the American scholar Neil Gilbert (2002) and to Victor Pestoff (2009). From the 1970s onward, "the European welfare state systems began to crumble" due to financial and organizational difficulties (Borzaga and Santuari 2001). The new trend in the welfare state orientation was towards restructuring in order to decrease public responsibility for social problems. New paradigms were self-help, activation and enabling efforts: "Increasing dissatisfaction with state welfare in many countries provided fertile ground for the rapid advance of a New Right market ideology of welfare". Since 1970s European welfare states have adopted another ambition than the universal orientation implied in the institutional redistributive model of welfare, re-introducing individual responsibility and membership instead of public responsibility and citizenship as the foundation of modern welfare states. The motivation was the pressure on the individual person to show responsibility, which is found in the mix of local units producing services, the

push for privatization in the direction of private insurance schemes and private retirement schemes, as well as the push for citizens to become shareholders: "By emphasizing the responsibility of local private units for the delivery of social services, the enabling state encourages a solidarity that is linked to membership in law-abiding, community-based, voluntary associations, which fosters the accumulation of social capital (Gilbert 2002), the experimentation with "new forms of solidarity and collectivity" by civil society and social movements as they enter high politics. Moreover the increasing acknowledgement of the third sector in Europe, together with the broader interest in non-conventional entrepreneurial dynamics addressing current challenges, led to the emergence of the new concept of 'social enterprise'. Meanwhile social enterprise remains in the United States a very broad and often quite vague concept, referring primarily to market-oriented economic activities serving a social goal. The social enterprise is thus viewed as an innovative response to the funding problems of non-profit organizations, which are finding it increasingly difficult to solicit private donations and government and foundation grants (Dees 1998). Indeed some entrepreneurs have launched their ideas in nonprofits, since that organizational form is already set up to advance social value. However some have introduced a social purpose to a business company, corporation or even government. One of the main characteristics of social entrepreneurship is the social vision (Alter, 2004), which is accompanied by an economic vision for financial autonomy (Massarsky & Beinhacher, 2002). A number of traditional nonprofits, while having social vision, adopt an economic practice of cost recovery through (a) fixing a price for services (less than actual cost, depending on the target population's capacity, or type of business), (2) providing services only to beneficiaries who can afford the entire cost and / or (3) developing new organizational strategies.

Starting from those points we can easily understand the third sector's will to increase its entrepreneurship and the social enterprise's interest to unify its values with the standard profit sector business's principles, such as management systems, marketing and communication activities, quality assessments, obtaining important benefits for its own development. In this regard it is important to underline social enterprise's efforts to avoid that those standard principles don't cover its original mission (Bull; 2007).

In particular, SE represents a hybrid form positioning itself somewhere in between the traditional non-profit and for-profit organizations (Alter, 2004). Compared to not for profit entities, SEs retain the purpose to achieve some social benefit, but their vision, organization and processes are quite different when compared to non-profits. They strive to achieve goals that meld socio-political, environmental, and financial objectives and, therefore, give them a major importance compared to profit organizations (Youssry 2007). Above all, SEs pursue a broad social goal (Pitta and Kucher 2009), they try to promote a new model of economic development, fostering a more democratic decision-making process (Campi, et al. 2006). From an economic standpoint, SEs need only to assure their economic sustainability: market oriented activities and fund rising are strictly "at the service" of the social goal.

Alter (2004) has defined "Hybrid Spectrum of sustainability" (Fig. 1.1) to underline the SEs position respect the other organizations. On the right hand side of the spectrum are for-profit entities that create social value but whose main motives are profit-making and distribution of profit to shareholders.

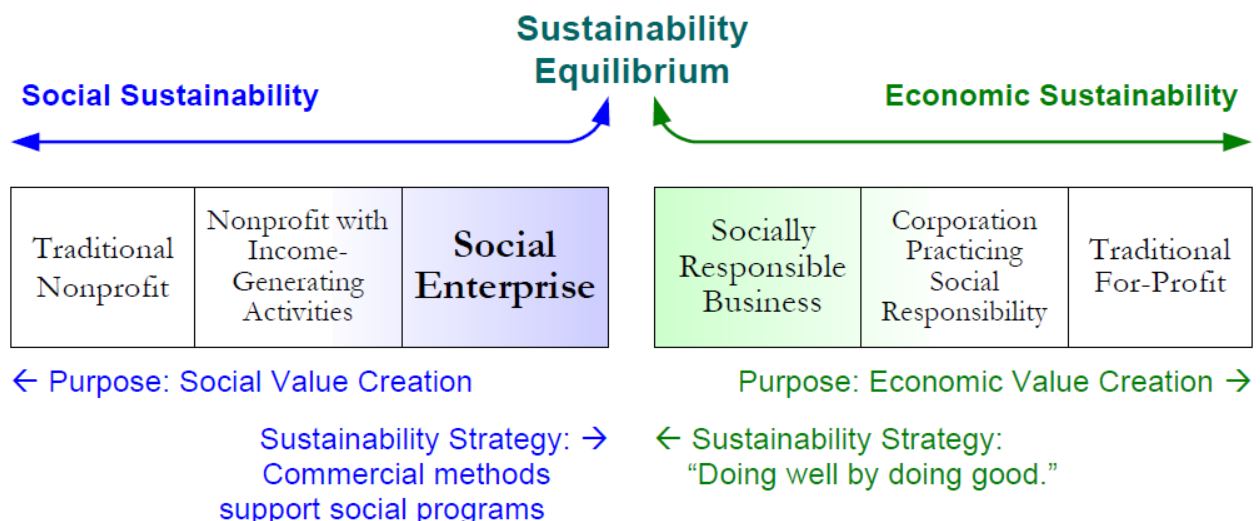


Figure 1.1: The spectrum of the sustainability of organizations (Alter; 2004)

On the left hand side of the spectrum are nonprofits with commercial activities that generate economic value to fund social programs but whose main motive is mission accomplishment as dictated by stakeholder mandate. The characteristic that separates the two groups is purpose.

As a hybrid, the social enterprise is driven by two strong forces. First, the nature of the desired social change often benefits from an innovative, entrepreneurial, or enterprise-based solution. Second, the sustainability of the organization and its services requires diversification of its funding stream, often including the creation of earned income.

A similar approach is shown in schematic form in Figure 1.2, from www.fourthsector.net site, sponsored by Fourth Sector Network, a network that encompasses a wide range of organizations types that work in the social sector including social enterprises.

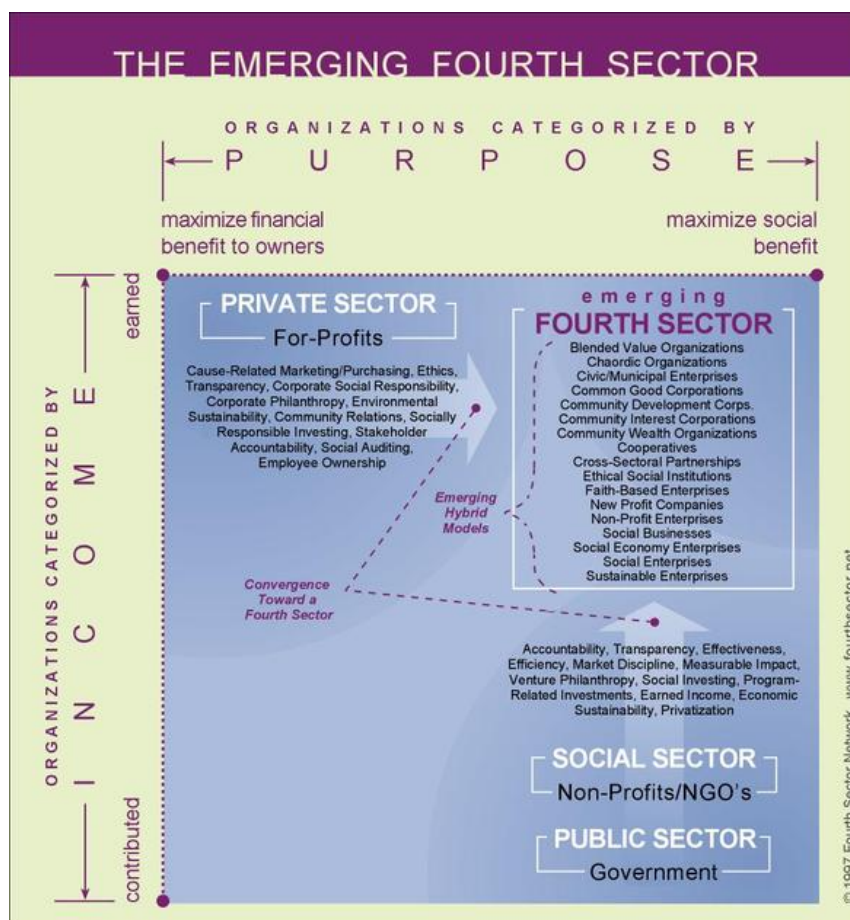


Figure 1.2 The Fourth Sector

The mission and method of many organizations in the business, government and nonprofit sectors are becoming steadily more similar, something more than simple blurring of the boundaries is occurring. Pioneering organizations in the three sectors are in fact converging toward a fundamentally new organizational sector that integrates social purposes with business methods: a Fourth Sector. The past few

decades have seen a proliferation of new hybrid organizational models (Figure 2) formed to address a variety of societal challenges. These organizations consciously blend attributes and strategies from all sectors and thus resist easy classification within the boundaries of the three traditional sectors. But they share two common characteristics—pursuit of social and environmental aims and the use of business methods—that position them within the landscape of the emerging Fourth Sector. The following are examples of hybrid organizational models that have emerged in recent years. Many of these terms define overlapping activities, reflecting the state of fragmentation in which the emerging landscape finds itself today, such as Chaordic Organizations, Civic and Municipal Enterprises, Community Development Financial Institutions, Cross-Sectoral Partnerships, Faith-Based Enterprises, Non-Profit Enterprises, Sustainable Enterprises, Community Wealth Organizations, **Social Enterprises**, Blended Value Organizations, Social Economy Enterprises.

While there are some initial signals of the emergence of a Fourth Sector, a fully developed supportive ecosystem for Fourth Sector enterprises (legal structures, capital markets, technical assistance, etc.) is not yet in place. Consequently, “hybrid” entrepreneurs have little choice but to operate within the constraints of the three existing sectors. This often requires them to compromise their objectives, complicate their organizational structures, and invent new processes that distract their focus and deplete resources.

As pioneering organizations in each sector implement new strategies and innovations in their attempt to meet the expectations of their stakeholders, they often find themselves pushing outside the boundaries of their respective sector.

These organizational models, however, must be fulfilled with management skills able to manage product / service in a competitive market environment (Pitta and Kucher, 2009). This clarification is important because the social enterprise is a real business activity that provides goods and services for social purposes. Like all businesses SEs have to create value and have to be sustainable in the long term. The explicit social purpose that characterizes social enterprises requires to provide different meanings to value and sustainability concepts, and therefore requires a broader vision.

1.2 Social Enterprise definition

The concept of "social enterprise" first appeared in Europe a few years before it emerged in the United States, and more precisely in Italy, where it was promoted by a journal launched in 1990 and entitled "Impresa sociale". The concept was introduced at the time to designate the pioneering initiatives for which the Italian Parliament created the legal form of "social cooperative" one year later. As will be shown, various other European countries have approved new laws to promote social enterprises.

In the following table we report some examples of "social enterprise" to highlight their heterogeneity :

Sectors	Countries	Examples
Personal services	Austria	<i>Children's Groups</i> : childcare structures supported by a strong commitment of parents.
	France	<i>Crèches parentales</i> : childcare structures partly directed and managed by parents. These crèches constituted a national network: the Association des Collectifs d'Enfants, de Parents et de Professionnels (ACCEP).
	Denmark	<i>Opholdssteder (social homes)</i> : stay-in structures conceived as an alternative to traditional institutions for children and adolescents with problems. The focus is on training and care.
	United Kingdom	<i>Home Care Co-ops</i> : organizations employing their members, mainly women in charge of their family, on a part-time basis.
	Sweden	<i>LKUs: local co-operative development agencies</i> , grouped together in a national organization (FKU) and pursuing a goal of rehabilitation and reintegration of people with a mental handicap.
	Italy	<i>A-type social co-operatives</i> , active in the field of health, training or personal services and operating within the legal framework adopted by the national parliament in 1991.
	Portugal	<i>CERCIs: co-operatives</i> for the training and rehabilitation of handicapped children, grouped together, since 1985, in a national federation.
Work integration	Belgium	<i>Entreprises de formation par le travail (EFTs) and entreprises d'insertion (EIs)</i> in the southern part of the country, <i>invoegbedrijven and sociale werkplaatsen</i> in the northern part. EIs, which are supported by the Regional authorities, are strongly market-oriented and offer long-term employment perspectives to their workers.
	Italy	<i>B-type social co-operatives</i> , active in the field of occupational integration of disadvantaged persons (legal framework of 1991).
	Germany	<i>Soziale Betriebe</i> : market-oriented « social enterprises », which receive temporary public support. The goal is to create jobs and to support

		economic development while simultaneously aiming at the social and occupational integration of long-term unemployed people. The jobs are created either within already existing private enterprises or in the framework of the starting-up of new enterprises.
	Luxembourg	<i>Associations</i> (and sometimes co-operatives) providing integration through work and economic activity, operating in fields such as the environment, agriculture, building, waste recycling, etc. Most of these enterprises are pilot projects subsidized by the state.
	Spain	<i>Work integration enterprises</i> for the disabled or for people excluded from the traditional labour market. In both cases, these enterprises tend to provide access to transitory jobs aiming to allow the targeted workers to integrate into the traditional labour market, rather than to create long-term "sheltered" jobs.
Local dvlpt	Finland	<i>Labour co-ops</i> : grouped together at the regional level in nine Co-operative Development Agencies (CDA), represent an important lever of development for the local and regional economy. These <i>co-operatives</i> differ from traditional worker co-operatives insofar as they outsource the competencies of their members to other enterprises.
	The Netherlands	<i>BuurtBeheer Bedrijven (BBB)</i> : independent enterprises of proximity development offering the inhabitants of disadvantaged neighborhoods the opportunity to carry out, in exchange for a remuneration, maintenance and improvement works in private housing or common infrastructures or to provide social services in the neighborhood.
	Greece.	<i>Agro-touristic co-operatives</i> : co-operatives set up by women living in rural areas with a touristic potential and offering services in the field of housing, restaurant and small craftwork.
	Ireland	Enterprises with varied legal forms aiming at local community development through activities such as the provision of social housing, reintegration through work, credit (credit unions), proximity services etc.

Table 1.1: The examples of different typology of SEs in Europe

Summarizing, SEs occupy a unique space within the economy where, as businesses, they are driven by the need of being financially sustainable, but 'more than private profit' organizations they use economic surpluses to drive social and environmental growth (Somers, 2005). Henceforth, SEs can be positioned somewhere in between profit and not for profit sectors (Dart, 2004; Alter, 2006), though the boundaries are not always neat. On the one hand, SEs often tend to be classified as a sub-set of the non-profit sector due to their social objectives; on the other hand, they have a

relevant portion of market oriented activities (Somers, 2005), being increasingly recognized as a distinct sector (Pearce, 2003; Dunn and Riley, 2004).

In recent years, SEs have attracted growing consensus and several organization all over the world started to configure themselves as SEs but we have different SE definitions that are also reflected in different legal frameworks across European and non European countries. This suggests once more that the borders of the social enterprise phenomenon are not clear-cut ones.

For these reasons in the following we summarize the main definitions of SE in order to clearly define the types of enterprise considered in the thesis.

The definitions selected are the following:

Businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners (DTI, Department of Trade and Industry, UK; 2002).

Enterprises with the specific purpose of addressing social issues, in favor of the community or the environment and employ a business structure that allows it to remain sustainable (M. Bull, H. Crompton; 2006).

Ses contribute to a more efficient market competition and encourage solidarity and cohesion. Their primary purpose is not to obtain a return on capital. They are, by nature, part of a stakeholder economy, whose enterprises are created by and for those with common needs, and accountable to those they are meant to serve. They are run generally in accordance with the principle of solidarity and mutuality and managed by the members on the basis of the rule of "one man, one vote". They are flexible and innovative (they meet changing social and economic circumstances). They are based on active membership and commitment and very frequently on voluntary participation (European Commission- Enterprise and Industry; 2011).

The last definition is the most complete and has obtained the major consent at the literature scientific level. This definition has inspired even the legislators who have

dealt with this new form of enterprise. This is the definition formulated since 1996 by EMES European Research Network.

EMES defines of a set of common criteria to identify organizations likely to be called "social enterprises" in each of the fifteen EU member countries studied.

*To reflect the **economic and entrepreneurial dimensions** of initiatives, **four criteria** have been put forward:*

a) A continuous activity producing goods and/or selling services

Social enterprises, unlike some traditional non-profit organisations, do not normally have advocacy activities or the redistribution of financial flows (as, for example, grant-giving foundations) as their major activity, but they are directly involved in the production of goods or the provision of services to people on a continuous basis. The productive activity thus represents the reason, or one of the main reasons, for the existence of social enterprises.

b) A high degree of autonomy

Social enterprises are created by a group of people on the basis of an autonomous project and they are governed by these people. They may depend on public subsidies but they are not managed, directly or indirectly, by public authorities or other organisations (federations, private firms, etc.). They have both the right to take up their own position ("voice") as well as to terminate their activity ("exit").

c) A significant level of economic risk

Those who establish a social enterprise assume totally or partly the risk of the initiative. Unlike most public institutions, their financial viability depends on the efforts of their members and workers to secure adequate resources.

d) A minimum amount of paid work

As in the case of most traditional non-profit organisations, social enterprises may also combine monetary and non-monetary resources, voluntary and paid workers. However, the activity carried out in social enterprises requires a minimum level of paid workers.

*To encapsulate the **social dimensions** of the initiative, **five criteria** have been proposed:*

e) An explicit aim to benefit the community

One of the principal aims of social enterprises is to serve the community or a specific group of people. In the same perspective, a feature of social enterprises is their desire to promote a sense of social responsibility at local level.

f) An initiative launched by a group of citizens

Social enterprises are the result of collective dynamics involving people belonging to a community or to a group that shares a well-defined need or aim; this collective dimension must be maintained over time in one way or another, even though the importance of

leadership - often embodied by an individual or a small group of leaders – must not be neglected.

g) A decision-making power not based on capital ownership

This generally means the principle of "one member, one vote" or at least a decision-making process in which voting power is not distributed according to capital shares on the governing body which has the ultimate decision-making rights. Moreover, although the owners of the capital are important, the decision-making rights are generally shared with the other stakeholders.

h) A participatory nature, which involves the various parties affected by the activity

Representation and participation of users or customers, stakeholder influence on decision-making and a participative management are often important characteristics of social enterprises.

i) A limited profit distribution

Social enterprises not only include organisations that are characterised by a total non-distribution constraint, but also organisations which - like co-operatives in some countries - may distribute profits, but only to a limited extent, thus avoiding a profit-maximizing behaviour.

(Borzaga, Defourny; 2001).

Those indications do not represent a set of conditions that an organization must meet to qualify as a social enterprise. Rather than constituting prescriptive criteria, these indicators describe an "ideal-type", or "common principals" and consequently constitute a tool, somewhat analogous to a compass, which can help to establish the boundaries of the set of organizations that can be considered as social enterprises.

Social enterprises are generally understood as an innovative business model that meets both social and economic objectives contributing to labor market integration, social inclusion and economic development. They are a vehicle of social innovation.

The variety of what is understood by a social enterprise is reflected in the different legal forms social enterprises can be organized as. The range covers traditional forms such as co-operatives and associations as well as modern business models like private limited companies or joint stock companies.

In general, social enterprises, apart from some exceptions, seem to be of rather small size and most often act at a local level (often under regional or local competency). They target a variety of different groups with their services (disabled, unemployed, disadvantaged persons, but also families, children and elderly people). Thus, the

promotion and development of social enterprises also concerns several sectors, such as social policy, employment policy or industrial policy (Borzaga and Defourny 2001).

1.3 The common characteristics of Ses

We have presented different contributions and definitions of SEs. However, all these definitions entail some specificities that can be used to characterize the essence of a SE: **SEs are (1) multi-objective organizations characterized by a (2) multi-stakeholder governance** (Defourny, 2001; Nyssens, 2006; Weerawardena, 2006).

Moving from the first issue, SEs are multi – objective systems. At a general extent, we can say that most of private and public organizations have to deal with multiple objectives, often with relevant trade off. In particular, in recent years the attention towards social and environmental performances increased significantly in almost all business industries and both public and private companies now take in serious account their impact on the environment and the society (e.g. Azzone and Bertelè, 1994; Adams and Zutshi, 2004; Porter and Kramer, 2006). Nonetheless profit organizations, generally give social and environmental goals a subordinate status to the overriding profit motive: the maximization of the economic value is the final goal for profit organizations, and social and environmental issues are seen either as constraints to firms' activities (e.g. normative requirements) or as means to increase profit (e.g. proactive sustainability strategies). On the contrary, for SEs, profits are created for stakeholders, and the success story is told by the "combination of social and financial performances". Once a good or service is sold on the marketplace, it ought to be possible to identify social and environmental profit in addition to economic profit and SE managers have to continuously manage trade-offs between increasing productivity for financial gain versus increasing productivity for social gain. From an economic standpoint, SEs need only to assure their economic sustainability: market oriented activities and fund rising are strictly "at the service" of the social goal (Borzaga and Santuari, 2001). Instead, they strive to achieve goals that meld socio-political and environmental objectives and, therefore, give them a major importance compared to profit organizations. The simultaneous pursue of multiple different targets is a major challenge for these organizations (Nyssens, 2010), indeed, social enterprises occupy a unique place in the economy because, even when they are driven by the need to be financially sustainable, using the surplus to support economic growth and social environment of the communities they serve.

Social enterprises are therefore classified as mission-oriented organizations, and the strategies put in place and consequently the projects and actions for their implementation, must be consistent with the stated objectives and with the ways in which they may be pursued, as this is the essential element to guarantee survival in the medium to long term (Kanter, Summers, 1987).

In summary, by stating that SEs are multi-objective organizations, we aimed to highlight that they do not work for the sole purpose of pursuing economic value; they are rather intended to achieve several objectives with equal priority (fig. 1.3):

- Economic objectives related to their entrepreneurial nature;
- Social objectives related to their specific mission of producing benefits for the community (they are often innovative and can contribute in reforming public policies);
- Environmental objectives related to environmental sustainability.

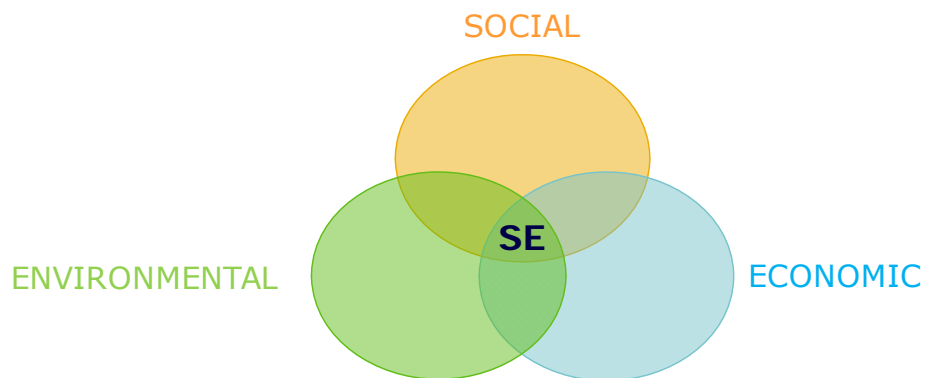


Figure 1.3: Social Enterprise: multi-objectives system

The second key characteristic of SEs is that they are multi-stakeholder systems. SEs are highly participative in nature and are characterized by a constant involvement of internal and external subjects in their strategic choices. SEs try to promote a new model of economic development, fostering a more democratic decision-making process (Campi, et al. 2006). Groups of citizens, local trade unions, associations, local banks, municipalities are generally represented in the decision-making bodies and are integrated into all stages of the decision-making process (Borzaga and Tortia, 2006; Emes, 2008). This kind of involvement is essential (i.e SE can't do without) to understand the real needs of the context and the great deal of knowledge of their

markets and to be able to give an adequate long term response (Pättiniemi, 2007). Furthermore some actors as public administrations and local banks can play a important role in the development and survival of SEs. The nature of SEs, between the for profit and not for profit sector, is also reflected in the development of a mixed governance structure, that appears as a hybrid combination of for-profit stewardship and non-profit democratic models (Mason et al. 2007).

This organizational form provides a potential solution to the problem of trust between owners and managers, a recurrent issue in for-profit organizations. In fact, in SEs there is an overlap of interests between shareholders and stakeholders and this leads to a sharing of purpose. It is then possible to adopt effective institutional multi-stakeholder approaches, where responsibility for decision-making processes is attributed to a plurality of subjects. In this situation the risk of a specific category of stakeholders taking over is reduced, and lead to an alteration of the institutional mission and organizational identity (Costa and Ramus, 2010).

1.4 The SEs in Italy

From social cooperatives to a broader legal conception of social enterprise Social cooperatives have so far represented the main type of social enterprise in Italy. Since the approval of Law 381/1991, which introduced the social cooperative legal form, these organizations have registered an average annual growth rate ranging from 10 to 20%. In 2005, there were over 7,300 social cooperatives; they employed 244,000 workers. However, this impressive development of social cooperatives has not prevented other types of third sector organization from developing social entrepreneurial activities, and a law on social enterprise (Law 118/2005) has recently been adopted, which undoubtedly constitutes a landmark in the history of the Italian third sector (Borzaga and Santuari, 2001). The new law incorporates the principle of pluralism of organizational forms and does not consider the organizational structure as a condition for eligibility as a social enterprise. The law divides eligible organizations into two sub-sectors: that of companies and that of organizations that are not companies. The innovative character of the law results from both the opening towards new sectors of activity, other than welfare, and the variety of the types of organizations eligible to become social enterprises. As said, the law crosses the

boundaries of legal and organizational forms, enabling various types of organization (not only cooperatives and traditional non-profit organizations, but also investor-owned organizations, for instance) to obtain the "legal brand" of social enterprise, provided they comply with the non-distribution constraint and organize the representation of certain categories of stakeholders, including workers and beneficiaries. The law also provides that associations and foundations that want to be registered as social enterprises must provide evidence of their entrepreneurial nature; conversely, investor-owned companies applying for the social enterprise brand have to comply with certain requirements regarding the distribution of benefits (namely respecting a total non-distribution constraint) and participation of relevant stakeholders. The law on social enterprise identifies a number of new fields of business activity, defined as fields of "social utility". According to Paragraph 1 of Article 2, sectors of public utility are precisely: a) welfare; b) health; c) welfare-health; d) education, instruction and professional training; e) environmental and ecosystem protection; f) development and cultural heritage; g) social tourism; h) academic and post-academic education; i) research activities and delivery of cultural services; l) extracurricular training; and m) support to social enterprises. However, no fiscal benefits or social security reductions are granted.

2. The research problems and objectives

Over the last chapter we tried to describe the value of social enterprises. In this section we underline the importance of identifying their social returns and the key issue of measuring and reporting in such a way that is transparent and accountable to stakeholders, to achieve economic, social and environmental objectives.

2.1 The rise of the "measurement issue"

The contribution of SEs for socio-economic development can be addressed in the following areas:

- ensure access to basic services (social, education and health) to local communities, including people who are unable to pay;
- contribute to a more balanced use of local resources, fostered by the prevailing use of performance of local operators and suppliers;

- contribute to the promotion of inclusive models of governance which will enable the local community to influence strategic decision-making processes;
- creation of new jobs;
- contribute to strengthening social capital at local level (based on an extensive local participation in ownership);
- contribute to convey informal activities outside of the underground economy, such as the legalization of undocumented workers.

The necessity of demonstrating their contribution to socio-economic development and the specific configuration (multi-objective organizations characterized by a multi-stakeholder governance) make even more crucial the improving their efficiency and their ability of competing on the market to ensure the SE survival (Bull & Crompton, 2006; Marks & Hunter, 2008).

In this context, SE leaders and academic researchers have already recognized the relevance of developing tools to measure SE performances and deal with the issue of value creation (Bull & Crompton, 2006; Marks, 2008). However, the existing research fails to provide robust evidence of the value of their contribution to the society (Haugh, 2005). Marks (2008) highlights that this is at least partly due to the lack of a consistent performance measurement system. On the one hand, the lack of a PMS limits the understanding of the actual contribution of SEs to socio-economic development and to benchmark SEs performance with respect to both “for profit” and “no profit” companies (Bull and Crompton, 2006). On the other hand this situation is in contrast with recent drivers towards market commercialization, which have stressed the need for SEs to prove efficiency and demonstrate accountability and transparency (Young and Salamon 2002). Moreover, the lack of estimation of the economic impact that these ventures create makes this area of little interest to investors (Harding, 2004).

Fundamentally, social enterprises need to be able to meet need, through resources that allows them to be sustainable. The resources for the sustainability of social enterprise are affected by an array of issues. Critically, accountability, transparency and marketing are attributes of developed social enterprises.

2.1.1 Accountability, transparency issues

Because of the growing competitiveness of the sector, the growth of social organizations is slowed down by the intense competition derived from traditional for-profit private firms as opposed to a fewer number of donors, foundations and government funding. Such competition means a greater need for SEs to use new methods to quantify their value and demonstrate their effectiveness (Thomas, 2004). Social Enterprise Unit (SEU – DTI 2002) identified some major barriers to the growth of the social business sector including poor understanding of value amongst stakeholders and tensions and conflicts in meeting both financial and social bottom lines. Therefore, when referring to SE as a firm that answers to the community rather than shareholders (Pearce, 2003), management control becomes instrumental to a vision of general accountability, in the sense of responsibility and the correlated duty of disclosure (Gray et al., 1995).

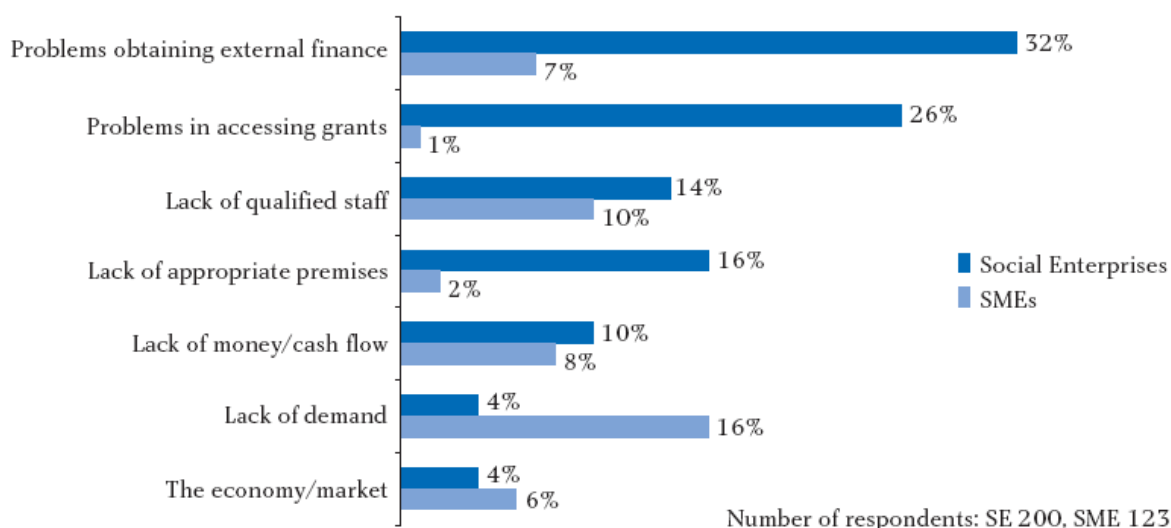
However most social enterprises seem to focus on controlling budgets and conforming to funding led accountability. Thus the topic of accountability and performance measurement has become urgent. For a private sector company, financial measures provide the accountability balance between the company itself and its shareholders. For a SE, however, the agency's mission represents the accountability between itself and society. From this perspective, the challenge is to create management systems that are flexible, adaptive, and able to track accountability not only upward, toward funders, but also downward to clients and citizens (Alexander et al., 2010). Indeed the SE needs instruments that aim to ensure higher accountability in relation to the social environmental impact of company activities, analyzing economic, social and environmental performances in an integrated fashion.

2.1.2 Founding problems

Today SEs share the need to access to more private funds. This is especially true for medium-size social enterprises but rarely this need is fulfilled successfully. However external funding is only one source on which social enterprises can rely on because, unlike for-profit businesses, they can access to a mix of funding resources: revenues – typically reinvested in the company- from sales of products and services of social benefits and traditional public and private donations. These are essential to social enterprises especially during their start-up phase, when it is very difficult to attract

other types of capital. Donors may be bodies of various types: local, regional, national or European such as the European Social Fund (ESF). The limited number of grants highlights the importance, for social enterprises, to access to private funding, just like traditional businesses.

Generally social enterprises find a considerable difficulty in raising capital from lending institutions, one of the major obstacles for the sector development. The Bank of England conducted a survey (Financing of Social Enterprise, 2003) to collect data on this topic (fig. 2.1). This study reports that 32% of companies indicated social problems in accessing external funding, while 25% believed that problems in obtaining grants represent the main barrier to strengthen their trading activity. However, raising capital is not the only barrier slowing growth. Other issues have been highlighted by the analysis, such as the lack of qualified personnel (14%), lack of suitable premises (16%) and lack of adequate cash flow (10%). Other studies indicate instead that social enterprises are reluctant to apply for a loan for many reasons. Firstly there is apprehension that this may involve taking money. Many organizations do not consider appropriate to put community assets at risk by using collateral for a loan (Bristol 2002). Other businesses do not believe money should pay interest that could be made available for a better use in social terms. Sometimes amongst directors there is a lack of management experience. Therefore they are not able to adequately perform an assessment of costs and benefits associated with an investment (Bristol 2002).



Source: TNS.

Figure 2.1: Report Bank of England (Financing of Social Enterprise, 2003)

Other barriers to capital flow from banks to social enterprises come from lack of trust, as reported in an investigation conducted by the Bank of England. Banks themselves admit they do not have sufficient skills to evaluate the loan terms in the third sector field. The lack of understanding has been attributed to the fact that banks are commercial organizations with obligations to depositors and shareholders, so their motivations are very different from those of social enterprises. Other reasons for the perceived lack of understanding by banks are tied to the way in which social enterprises are structured and to their cash flows, which can be complex. Banks themselves do not prove to be insensitive to any further opening the sector of social enterprises, but complain that they need to implement methods of accountability that would facilitate their work in this area.

2.1.3 Problems of Management skills

The third issue relates to the availability of resources and competences.

Research for the Small Business Service carried out by Smallbone et al. (2001) evidenced managerial shortcomings of social enterprises, stating that management skills – in particular, marketing, finance and decision making, amongst others – were key issues for the sector .

Furthermore, the Social Investment Task Force (2000), states that lack of capital and managerial expertise is stifling entrepreneurialism within socially excluded communities, and that these barriers need to be addressed in order to realise the potential of the people within these communities.

Capability and skills needs are considered shared barriers - especially the balance between financial/social management skills, which is a little more complex than traditional financial management skills; people who also have the skills to manage the social return on investment; leadership of the management/board of directors and the drive they have for the organisation; market sector needs; communication and presentation skills, resources and marketing knowledge.

As many small and medium organizations, SEs struggle to deal with limited financial and human resources, that prevent them from dedicating time and money to the development of support systems (Bull e Crompton 2006). Furthermore, this shortage of resources can prevent SEs from acquiring the needed competence from external providers (such as consultant).

2.2 Shortcomings and performance measurement in social management

Social enterprise managers are challenged to constantly adapt to ever-changing environments – a balancing act requiring strategic reflection and analysis to achieve ongoing sustainability. Performance measurement through business analysis tools may offer organisations help in managing this process.

However, the construction of a performance measurement system for a SE is not an easy task, because the measurement of the value created by SEs requires the consideration of a variety of objectives and outcomes for a heterogeneous set of stakeholders, sometimes with conflicting interests (Kerlin, 2006). Through a PMS, SEs could actually measure the results achieved and policy makers and public constituents could better understand the actual contribution of SEs to socio-economic development. Furthermore, a PMS could provide at least a partial response to the informative needs derived by increased market commercialization, which require SEs to prove efficiency and demonstrate accountability and transparency (Young, 2002; Alexander et al., 2010). A PMS has the potential to communicate performance to internal and external stakeholders, increasing credibility among investors, funders, customers, and stakeholders. Thus, a PMS could also support SEs to overcome some of the obstacles they face in accessing finance and competing for public sector contracts (Marks, 2008).

2.3 The performance measurement system

Fundamentally, performance measurement tools have been brought over from the business world, designed and created from the perspectives of profit-based businesses (Speckbacher, 2003). Such tools focus on large business models, where rationalization, resource maximisation, market growth and financial measures are highly sought-after (Garengo et al., 2005). However, much has been made of the differences between large and small businesses (Storey 1994; Scase & Gofee 1980; Jennings & Beaver 1997).

2.3.1 PMS for SMEs

The social enterprises are certainly more similar to SMEs, for this reason we first analyse the PMS's development for SMEs.

Small businesses are often centred around the aspirations and ambitions of the owner/management. Usually they are less driven by formality, lack the resources and requirement for structures as they employ less people. Dandridge (1979) and Wynarczyk et al. (1993) suggest small business owner/managers have less tolerance for inefficiency than larger organisations, and they may adopt different business ideologies, ethics and organisational structures. Therefore, the transferability of business tools is a major consideration for SMSE's where the vast majority of performance tools have been designed through the lens of large organisations. For many SMEs, performance measurement and quantification are either economic indicators or unexpressed social values that are quite often intangible and difficult to quantify (Dees & Anderson 2003). Another point, as Pestoff (1998) suggests, is that "performance is a multifaceted, fluid, problematic, ambiguous and contested concept", further complicated by different sector and stakeholder perspectives – the case in point within SMEs. So how can SMEs be expected to demonstrate their success through homogenous business models? Speckbacher (2003) comments that "profit as a single valued measure for success does not work because other output dimensions that profit measures do not capture are as important" (Speckbacher 2003). It would also appear that little work has been done to alleviate the fears and provide thought-provoking tools that are not only specifically designed for the sector but that address the issues of time, resources and stimulation to engage managers in taking management tools seriously.

Moving from the requirements that a PMS should satisfy, as emerge from the literature analysis, we start to define the specific criteria from the PMS developed for the SMEs, leading to the following Table 2.1 where we have collected the different contributions of different authors:

1. Complete	Lynch & Cross, 1991; Globerson, 1985; Flapper & Fortuin, 1996; Neely & Kennerley, 2000; M'Pherson & Pike, 2001; Azzone, 2006;Goold 1991
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2. Selective	M'Pherson & Pike, 2001; Globerson, 1985; Fortuin, 1998;
3. Able to identify the specific responsibilities	Globerson, 1985; Fortuin, 1988; Dixon et al, 1990; Lynch & Cross, 1991; Maskell, 1991; Goold, 1991; Kaplan & Norton, 1996; Gates, 1999; Neely et al. 2000; M'Pherson, Pike, 2001; Pike & Ross, 2001; Ittern & Larcker 2003; Azzone, 2006
4. Measurable	Globerson, 1985; Fortuin, 1988; Lynch & Cross, 1991; Neely et al.2003; M'Pherson & Pike, 2001; Azzone, 2006
5. Dynamic	Dixon al, 1990; Wisner & Fawcett, 1991; Lynch & Cross, 1991; Lingle & Schiemann, 1996; Ghalayini & Noble, 1996; Fortuin, 1988; Pike & Ross, 2001
6. Reliable and accurate	Lynch & Croos, 1991; Azzone et al 1991; Neely et al.2000, 2003; Bititci et al. 1997;Nelly, 1998; Forza & Salvador, 2000; Pike, Ross, 2001; Kerssens-Van Drongelen & Fisscher, 2003
7. Sample	Fortuin, 1988; Lea & Parker, 1989; Goold and Quinn, 1990; Lynch & Cross, 1991; Maskell, 1991; Azzone et al 1991; Nelly et al., 2000
8. Timely	Globerson, 1985; Fortuin, 1988; Eccles & Pyburn, 1992; Dixon et al, 1990; Feurer & Chaharbaghi, 1995; Kaplan & Norton, 1996; Nelly et al., 2000; Azzone, 2006

Table 2.1: The PMS characteristics for SMEs

Therefore, the PMS must be:

- **Complete:** to be able to represent the different aspects of the business
- **Selective:** to be able to capture the relevant aspects
- **Able to identify the specific responsibilities:** it measures the performance indicators for each organizational unit through which the units can influence with their actions
- **Measurable:** it has to associate to each performance one indicator that must be objectively detectable
- **Dynamic:** to be constructed that it follows the dynamics of the organization, has to follow all evolution
- **Reliable and accurate:** to be able to correctly assess the impact of performance monitored with respect to the overall objectives
- **Sample:** to be comprehensibility
- **Timely:** to have the ability to quickly provide the information requested

2.3.2 PMS for SEs

The first problem for SEs lies in the different approaches. One of the inherent difficulties in the transferability of performance tools is how to include the measurement of social value, what it is, and indeed how to score or articulate social objectives in measurable and accountable ways. The 'social' return may be reliant on notions of trust and mission value, unexpressed, immeasurable and unaccountable (Paton 2003).

The second issue is a question of resources; Thomas (2004) notes that the development of a comprehensive and reliable performance measurement system is potentially expensive, both in terms of generating data, staff time and investments in information technology. There are therefore both financial and human resource issues for social enterprises in instigating, analyzing and implementing performance targets. There are the time constraints of busy managers and the instant access to information that organizations need in order to input data into such systems, which can be off-putting and laborious. All of this may not necessarily be seen to be essential to the success of the organization, thus reasons why performance measurement is considered a hindrance. Thirdly, as Holloway (1999) points out, there is little empirical evidence to suggest 'Balance' Social Enterprise Journal March 2007 that performance analysis tools have any real impact on the actual business practices of organizations. One of the issues here is in the objective/subjective standpoint in conducting business analysis. Thomas (2004) indicates inherent problems of perception and interpretation, 'the performance captured by a particular set of measures will always be partial and contextual, reflecting the fact that the measures have been selected, analyzed and interpreted through the lenses of the organizations and individuals involved with the process' (Thomas 2004).

Paton (2003) adds that the relevance of 'mainstream' management ideas and their adaptation to social enterprises demonstrates that performance measures are not the universal solution promised. Yet he offers some hope to those of us interested in analysis, suggesting that performance tools are useful, but only in loose and variable ways. An understanding of performance measurement is not as straightforward as hoped. The heterogeneity of the social enterprise is similar with small business and add complexities and ill fit many concepts of performance measurement systems. This may go some way to understanding the limited use of business tools across the sector.

2.4 The research objectives

Moving from these considerations, this research aims to contribute to the current debate by proposing an approach to guide the development of a performance measurement system (PMS) for SEs. Compared to prior research in the field, the objective of this paper is not to develop a specific PMS but to propose a method, whereby each SE can define a tailored PMS, taking into account its specific characteristics, mission and objectives.

Considering that SE represents a hybrid form positioning itself somewhere in between the traditional non-profit and for-profit organizations (Alter, 2004) and that the SEs are multi-objectives and multi-stakeholders systems, indeed the related performance measurement systems necessarily assume multiple profiles.

The research aims to create a PMS that, in addition to the features shown in table 2, takes into explicit consideration the nature of SEs. The first element to consider in the model construction is represented by contingent factors that can inform the specific configuration of SE. These elements can differ from one organizations to the other and the choice made by each organization should be taken into account to develop a performance measure system, particularly the SEs have been developed in PVS o PS, second SEs can originate from the profit sector, from the non-profit and public sector. The SEs can focus on different final goals. At present, there are three main streams, into which the focus of SEs is generally classified: Work integration, Personal services, Local development (Borzaga 2001). Furthermore SEs are characterized by different organizational structure. In a few cases it is just a department, or profit center within a nonprofit or profit organization. In other cases it is a subsidiary of a profit or nonprofit company. In other cases, it is a stand-alone company (Alter 2006), and we decided to focus on this type of structure. Finally SE are highly differentiated in relation to the social needs to which they answer. The range of field to which this organizational form has been applied is quite wide and includes activities such as: production or provision of goods and services in the sectors of social and health assistance, education and training, environmental protection, social tourism, cultural services or work integration of disadvantaged persons.

Considering the important dimensions, as we said, SEs have multiple constituencies that may differ in how they evaluate effectiveness, consequently, **organizational and social effectiveness** should consider differing interests and expectations of all

stakeholders (Herman & Renz, 1997). Moreover it is important to measure **efficiency and financial sustainability** to verify entrepreneurship as a basic component of assessing overall effectiveness (Ritchie & Kolodinsky, 2003). Obviously the **social impact** measure is fundamental (Austin et al. 2006) and the SEs are mission-driven organization that trades in goods or services for a social purpose, therefore the **coherence between social mission and results** must be measured (Bagnoli 2009). Finally the approach has to define a set of objectively detectable indicators that could give a complete and reliable picture of SEs performances (Kendall & Knapp, 2000a).

Indeed the objective of this research is to investigate how SE results can be measured, (i.e. how a PMS for social enterprise can be developed) with respect to their social, environmental and economic impact, considering the characteristics of SEs i.e. SEs are multi-objectives and multi-stakeholders systems. The proposed approach aims to provide operational guidance to identify SE's relevant stakeholders and their informative needs; to identify the dimensions against which SEs performances should be assessed, considering the stakeholders expectations.

2.5 The research articulation

To achieve this objective, the research is articulated into five steps (*Fig 2.1*):

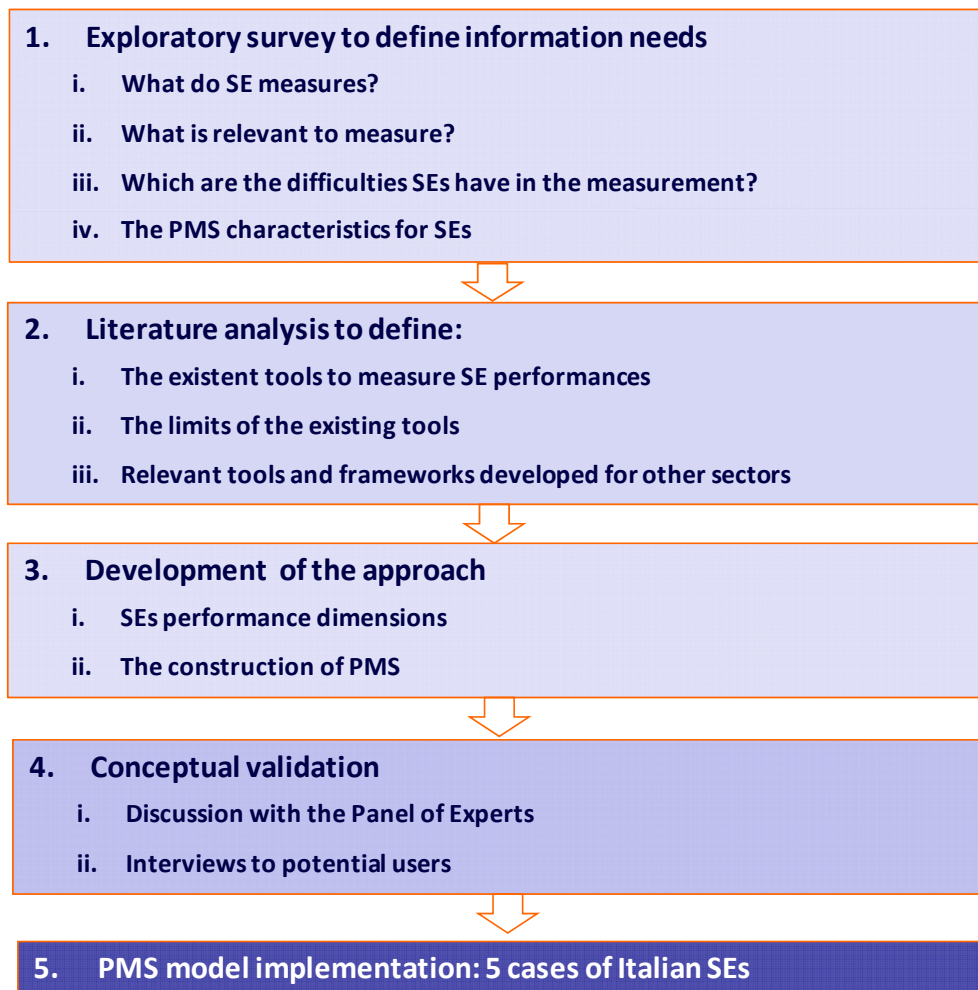


Figure 2.1: The steps of methodology

The first step consisted in development an exploratory survey aims to define the information needs of Italian SEs, based on the survey results and the literature analysis related to the distinctive features of SEs, we define the characteristics to which the PMS for SEs has to respond. The second consisted in the literature analysis, where we analyzed the strengths and weaknesses of the existing tools to measure SE value. Considering the limits of the existing tools we based on three different streams of literature for the creation of an *ad hoc* performance measurement system for SEs. The output of the third step is the design of a conceptual approach for the development of the model. The fourth step is a conceptual validation, carried out by discussions with the panel of expert to test the model compliance and the interviews direct to potential users to test the model capacity to meet their information needs; finally we implement the model in 5 cases of Italian social enterprises.

3. Exploratory survey

In order to achieve the research objectives outlined in the previous chapter, the first phase of the research was an exploratory survey administered to a sample of Italian SEs aimed to understand which is the state of the art in practice in relation to the issue of performance measurement.

The choice of the research method is contingent to both the problems and the questions being investigated and the state of knowledge development in the field (Pettigrew, 1990). Indeed, the lack of research on the diffusion and role of PMS for SEs, suggested to carry out an exploratory survey in order to achieve a better understanding of the current situation.

3.1 Methodology

As follows, we address the methodological issues related to the survey design, with specific attention to the construction of the questionnaire, the selection of the sample and the analysis conducted on data collected through survey.

3.1.1 Questionnaire construction

The survey aimed at providing a picture of the current state of development of PMS for SEs. To answer to this scope, the questionnaire was articulated into 3 sections (*Annex 1*). The first section addressed descriptive characteristics of the SE. We tried to limit the number of open questions to few points, that included:

- Foundation year
- Countries of intervention
- Invoiced year 2009 (in Euro)
- Number of employees (at 31/12/2009)
- Networks to which the organization participates

The other aspects were instead investigated through closed questions:

- Legal Form
- Organizational structure
- Sector of the organization
- The organization operates primarily by projects or continuous activity

- Area in which the organization operates
- Representation of stakeholders in governing bodies
- Main sources of funding
- Role of contact
- Certifications obtained

The second section focused on the motivations that determined the choice of the company to configure itself as a social enterprise. We formulated 30 items based on the literature review. The respondents were asked to express their agreement / disagreement with each statement based on a five point Likert scale.

Likert scales have the benefit of being easy to understand and therefore suitable for self administered questionnaires (Kinnear and Taylor, 1991). To avoid to loose any relevant information, and enhance content validity, most questions also included the possibility for respondents to choose the category "other" and specify their choice.

The third section focused more specifically on the issue of measuring performances in SEs and tackled three different aspects:

- Which indicators are currently measured by SEs
- Which indicators are considered relevant to measure
- Which are the difficulties SEs have in the measurement

To this scope, we formulated 30 items, that could be reconducted to different performance dimensions relevant for an SE. For each item the respondents were required to specify whether they measure the item, to what extent they consider it relevant and to what extent they consider it difficult to measure. The 30 items were designed to cover the five performance dimensions identified in the literature analysis (par. 2.4) as detailed in the Table 3.1 below.

Dimensions	Items
Efficiency and financial sustainability	1. Revenues and operating costs 2. Salaries and wages for staff 3. Receivables, payables and collectability of the receivables 4. Share of profits reinvested in social activities 5. Funds raised 6. Duration and amount of contracts outstanding 7. Goods constrained 8. Productivity of manufacturing processes 10. Index coverage of projects

Management efficiency	<ul style="list-style-type: none"> 9. Percentage of projects that have achieved the objectives 11. Customer satisfaction 14. Employee satisfaction 15. Staff turnover 16 Professional development of staff 20. Claims and non-compliance and product / service
Social effectiveness	<ul style="list-style-type: none"> 12. Beneficiaries satisfaction 13. Reports and complaints of stakeholders in addition to customers 17. Indicators of staff diversity 18. Proportion of employees and volunteers 24. Funds allocated to the communication activities 25. Accessibility of organization information 26. Level of cooperation with the media
Impact	<ul style="list-style-type: none"> 19. Impact of the product / service on the community 21. Percentage of the main beneficiaries of the activities with respect to all the users involved 22. Size of expenses concentrated on local suppliers 23. Environmental impact of activities undertaken by the organization
Consistency	<ul style="list-style-type: none"> 27. Share of investments directly aimed at achieving the organization's mission 28. Percentage of projects whose objectives are closely related to the mission of the organization 29. Compliance of products / services to the enterprise objectives 30. Consistency between the results achieved and the enterprise's strategy

Table 3.1: The 30 items of survey

We verified the reliability of proposed items through the Cronbach alpha. To be reliable, the construct indicators, i.e. the statements on the survey, must be consistent in their measurement of the underlying construct (performance dimension). This reliability, or the degree to which two or more items “share” in their measurement of a construct, is typically tested using coefficient alpha (Cronbach, 1951). The analysis provided satisfactory results as shown by Table 3.2.

Dimension	Aspects	Results of Alfa Cronbach Test
Efficiency and financial sustainability	<ul style="list-style-type: none"> 1. Revenues and operating costs 2. Salaries and wages for staff 3. Receivables, payables and collectability of the receivables 	0,824

	<ul style="list-style-type: none"> 4. Share of profits reinvested in social activities 5. Funds raised 6. Duration and amount of contracts outstanding 7. Goods constrained 8. Productivity of manufacturing processes 10. Index coverage of projects 	
Management efficiency	<ul style="list-style-type: none"> 9. Percentage of projects that have achieved the objectives 11. Customer satisfaction 14. Employee satisfaction 15. Staff turnover 16. Professional development of staff 20. Claims and non-compliance and product / service 	0,804
Social effectiveness	<ul style="list-style-type: none"> 12. Beneficiaries satisfaction 13. Reports and complaints of stakeholders in addition to customers 17. Indicators of staff diversity 18. Proportion of employees and volunteers 24. Funds allocated to the communication activities 25. Accessibility of organization information 26. Level of cooperation with the media 	0,863
Impact	<ul style="list-style-type: none"> 19. Impact of the product / service on the community 21. Percentage of the main beneficiaries of the activities with respect to all the users involved 22. Size of expenses concentrated on local suppliers 23. Environmental impact of activities undertaken by the organization 	0,842
Consistency	<ul style="list-style-type: none"> 27. Share of investments directly aimed at achieving the organization's mission 28. Percentage of projects whose objectives are closely related to the mission of the organization 29. Compliance of products / services to the enterprise objectives 30. Consistency between the results achieved and the enterprise's strategy 	0,886

Table 3.2: Results of Alfa Cronbach Test to verify the PMS 5 dimensions

All the dimensions have Cronbach alpha higher than 0.7 that is generally considered the threshold value.

3.1.2 Sampling description

The sample was drawn from national databases of social enterprises. The core component of the sample was derived from the portal "*Impresasociale.net*" that constitutes a meeting point for national stakeholders. The portal provides a list of 1.012 SEs, though the number of valid contacts is much lower, and it is 670. Since this list was not exhaustive, it was complemented by including further SEs, drawn from the websites of the "Chambers of Commerce", and the databases of the main Italian networks of social enterprises (*Make a change and Iris Network*). This procedure resulted in a list of 757 valid contacts.

The survey was administered from February to May 2011, a phone contact served to introduce the research and to explain its aims, then the questionnaire was sent by e-mail. From two to four follow-ups were performed before the completion of the survey dissemination. Finally, 90 SEs answered to the questionnaire with a 12% response rate.

3.1.3 Typology of analysis conducted on survey

First descriptive statistics were computed for each question; then we tested the reliability of the performance dimensions and the factors that influence the choice of measuring (or not) a specific issue.

To this scope, we employed factor analysis, the t-test, chi-square test, alpha test, and linear and logistic regressions.

Factor analysis aims to identify underlying variables, or factors, that explain the pattern of correlations within a set of observed variables and is based on the assumption that, in most cases, few components represent the most of the variation, and these components can be used to replace the original variables. It is a technique of multivariate analysis in which we consider the analysis of relationships between multiple variables simultaneously. It is mainly used for the analysis of attitudes, has one purpose only exploratory and interpretation of data and is not a technique as the causal regression.

The commonality indicates the amount of variance of each variable that is represented. High commonality indicates that the extracted components well represent the variables, instead a low commonality in extraction of main components, may indicate the need to extract another component.

The t-test is used to verify the existence of a significant difference between the averages of two data samples that are analyzed in relation to a variable of influence. The entire data sample is divided into two subgroups defined on the basis of the variable to analyze. If the test T succeeds then the variable has an influence on the analyzed data. The Chi-square test has the same goal, but the t-test was specifically designed to binary variables analysis, and so it is useful to analyze the answers to the question: "it is measured?" associated to each item.

The linear regressions (and the logistics corresponding for data expressed in binary form) are used to determine the possible existence of causal relationships between the variables explored.

3.2 Representativeness of respondents

First of all, we analysed the representativeness of the respondents. To this scope we compared the characteristics of the respondents against the initial sample based on some key features such as the field and size.

The below Table 3.3 shows the frequency analysis comparison between the respondents and the sample in relation to the core area of activity:

Sector of activity	Sample	Resp.
Social Assistance	42,2	33,3
Health care social services	11,2	25,6
Job placement	49,9	43,3
Education	15,7	21,1
Training & education	5,3	13,3
Environmental protection	1,8	10
Cultural Heritage protection	0,4	1,1
Social tourism	2,2	10
Services to SE	6,4	13,3
Other	2,1	6,7

Table 3.3: Distribution percentage of intervention areas

In order to confirm the differences relating to the intervention areas, we decided to refer to T-test the data related to the intervention areas, using as a grouping variable a binary variable indicating, for each firm, the status of respondent / respondent. The T-test confirmed the hypothesis: between respondents and non-respondents there are significant differences in relation to the areas shown in the following Table 3.4:

Sector of activity	Sig (2-code)
Health care social services	0,001
Training	0,024
Environmental protection	0,005
Social tourism	0,007
Services to SE	0,036

Table 3.4: T-test Sector of activity

The result indicates a mayor propensity to measure the performance by the enterprises belonging to the areas listed in the table.

The respondents were also compared against the sample in relation to enterprise size, number of employees. The respondents resulted on average larger than the sample with 91 employees, compared to the average of 31 employees of social enterprises, and this difference is statistically significant, this means that the results of our analysis can be considered representative of larger SEs

We further verified the existence of response bias, comparing first and late respondents. We checked whether there are significant differences between those who answer to the questionnaire immediately after its administration and those who answered only after several follow ups (that can be considered more similar to non respondents according to Oppenaim. 1999). We considered "first respondents" those who returned the questionnaire before the second follow-up; other respondents were considered late respondents

In particular, we compared the answer of first and late respondents against the performance dimensions, as shown in the Table 3.5:

Dimension	ID	Content	First			Last		
			YES	Useful	Difficult	YES	Useful	Difficult
Efficiency	3	Receivables, payables and collectability of the receivables	83 %	4,5	2,6	87 %	4,4	3
Management efficiency	9	Percentage of projects that have achieved the objectives	74 %	4,1	2,4	61 %	4,1	2,8
Social effectiveness	13	Reports and complaints of stakeholders in addition to customers	52 %	3,7	2,9	45 %	4,1	2,2
Impact	19	Impact of the product / service on the community	24 %	3,4	2,6	19 %	3,5	3,4
Consistency	28	Percentage of projects whose objectives are closely related to the mission of the organization	70 %	4,5	2,9	74 %	4,4	2,8

Table 3.5: Answer compared against the performance dimensions

We also tested the existence of significant differences through the T-test:

Dimension	ID	Sig. (2-code)
Efficiency	3	0,33
Management efficiency	9	0,72
Social effectiveness	13	0,95
Impact	19	0,36
Consistency	28	0,48

Table 3.6: Verification non-response bias.

The results show that the p-value are higher than 0,05, therefore we can conclude the absence of a significant non-response bias.

3.3 Survey results

3.3.1 The respondents

First we report the descriptive statistics in relation to respondents' characteristics:

- Areas of intervention,
- Legal Form
- Sources of funding
- Operational modes
- Certification
- Participation in the networks
- Motivations

Areas of Intervention

The respondents resulted widely diversified in relation to their areas of activities, with a certain prevalence of enterprises working in the areas of job placement, social assistance and social and health education. The results are shown in the following Table 3.7:

Intervention area		
	Frequency	%
Job placement	39	43,33
Social Assistance	30	33,33
Health Assistance	23	25,56
Education	19	21,11
Services to social enterprises	12	13,33
Environmental protection	9	10,00
Sociale turism	9	10,00
Learning	7	7,78
Other	6	6,67
Extracurricular training	4	4,44
University education	1	1,11
Cultural Heritage protection	1	1,11

Table 3.7: Intervention area

EVIDENCE 1:

SEs have multi-objectives: in many cases, the same social enterprise operates in different areas

Legal Form

The 87% of the respondents are social cooperative, as shown by the following Table 3.8:

Legal form		
	Frequency	%
Cooperative	78	86,7
Not Recognized Association	3	3,3
Recognized Association	3	3,3
Consortium	3	3,3
Fondation	1	1,1
Limited company	1	1,1
Corporation	1	1,1
Tot	90	100,0

Table 3.8: Percentage distribution of the legal form adopted by the respondents

This result can be explained considering that in Italy the status of SE isn't in itself a form of company and specifically regulated by the legislature, but a qualification is obtained by meeting certain requirements, independently from the corporate form.

Sources of funding

The table shows the prevalence of sources of funding from grants and government agencies but also from businesses activities and projects. These data confirm the distinctive nature of entrepreneurial SEs that derive most of their sources of funding in terms of remuneration for services performed in a market perspective and competitiveness:

Funding sources	
	%
Grants	23,80
Donations	20,78
Other	16,87
Public	13,86
Project funded	13,55
Business activity	11,14

Table 3.9: Funding sources percentage

Operational modes

The results are presented below and show a high prevalence of social enterprises operating for continuing activities as the profit enterprise:

Operational modes		
	Frequency	%
Continuous activities	72	80,0
For projects	10	11,1
Continuous activities and projects	8	8,9
Tot	90	100,0

Table 3.10: Percentage distribution of operating modes

EVIDENCE 2:

The same social enterprise works for continuous activities and projects

Certification

Over 30% of the respondents are certified ISO 9001:

Certification		
	Frequency	%
ISO 9001	33	36,67
No certification	44	48,89
ISO 9001 e 14001	7	7,78
Other	5	5,56
ISO 14001	1	1,11
Tot	90	100,00

Table 3.11: Percentage distribution of certification adopted

Participation in the networks

Over 80% of social enterprises belong to the networks and several enterprises belong to multiple networks. The main network to which they belong (50%) is "Confocooperative", over 20% of companies has joined a consortium of social cooperatives and 15% adhere to "Legacoop":

Participation in the networks		
	Frequency	%
No networks	17	18,9
One network	31	34,4
Two networks	20	22,2
Three networks	18	20
Four networks	1	1,1
Five networks	3	3,3
Tot	90	100

Table 3.12: Percentage distribution of participation level in networks

Motivations

The motivations whereby the respondents decided to configure themselves as Ses are reported in Table 3.13, the respondents have been asked to rate different motivations through a five point Likert scale (from 1 to 5):

Motivations	
	Average
For the affinity with the goal of being socially useful	4,44
Because it's a sustainable way to create social benefit	4,19
For the adequacy of the organizational structure for your needs	3,31
For regulatory reasons	2,82
To access funding	1,94
To get tax breaks	1,87

Table 3.13: Motivation to adopt the SE model

The most relevant motivations are linked to internal factors such as affinity with the organization goals, the organizational needs and the idea that the social enterprise represents a sustainable way to create social benefit. The external motivations are generally lower, with the exception of regulatory requirements that have been rated 2.82 by the respondents.

Data related to motivations were reduced through a factor analysis, highlighting the existence of two components that explain the 64.3% of the total variance. As shown in the matrix of rotated components (fig. 3.1) where it is highlighted the significance of the relationship between the individual components and the factors analyzed. The first component is strongly related to the external factors. The second component is instead related to the internal reasons:

	Component	
	1	2
To obtain the tax breaks	,858	-,144
To access funding	,896	-,037
For regulatory reasons	,680	,342
For the affinity with the goal of being socially useful	-,109	,825
For the adequacy of the organizational structure with the needs	,086	,504
Because it's a sustainable way to create social benefit	,026	,873

Fig. 3.1: Matrix of rotate components

EVIDENCE 3:

The social enterprises born to respond to social needs

3.3.2 What do SEs measure?

Moving to the core section of the survey, respondents were asked to specify, for each item whether they measure it; whether they consider it relevant and whether they consider it difficult to measure.

The following Table 3.14 reports the issues, as ranked by the respondents in decreasing order, from the item measured more frequently to the item measured less frequently. The data shows that the financial and economic sustainability are those that are measured more frequently by SEs (95,56%). Further aspects that resulted frequently measured by the respondents are effectiveness -in particular customer satisfaction (75,56%) and efficiency, in terms of productivity of production processes (65,56%):

It measured? (sum of affirmative answers)	Sum	%
1. Revenues and operating costs	86	95,56
2. Salaries and wages for staff	84	93,33
3. Receivables, payables and collectability	73	81,11
6. Duration and amount of contracts	70	77,78
11. Customer satisfaction	68	75,56
10. Index coverage of projects	65	72,22
5. Funds raised	63	70,00
30. Consistency results - strategy	62	68,89
8. Productivity manufacturing processes	59	65,56
9. % projects that achieve objectives	59	65,56
20. Claims and non-compliance	57	63,33
16 Professional development of staff	52	57,78
29. Consistency products - objectives	51	56,67
14. Employee satisfaction	50	55,56
4. Share profit reinvested	45	50,00
12. Beneficiaries satisfaction	44	48,89
13. Complaints of stakeholders	44	48,89
17. Indicators of staff diversity	44	48,89
15. Staff turnover	43	47,78
18. Proportion employees - volunteers	42	46,67
27. Consistency investments - mission	40	44,44
7. Goods constrained	37	41,11
24. Communication	35	38,89
28. Consistency projects - mission	31	34,44
19. Impact on the community	28	31,11
25. Accessibility information	27	30,00
22. Cost concentrated on local suppliers	20	22,22
21. Proportion of actual beneficiaries	19	21,11
23. Environmental impact	18	20,00

26. Level of cooperation with the media	15	16,67
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Table 3.14: Ranking of the issues submitted to the survey based on their actual measurement by social enterprises

Moving to the items that were ranked lower by the respondents, the data indicate that outcomes and impact of SEs activities are slightly measured by these companies (Impact on the community: 31%, environmental impact only 20%).

These considerations are further confirmed analyzing the indicators specified by the respondents as examples of how do they measure a certain performance dimension. The indicators that have been specified more frequently are: the concentration of expenditure on local suppliers, environmental impacts and the proportion of beneficiaries reached by activities compared to the total users of the goods / services provided by the company.

EVIDENCE 4:

The social enterprises consider as relevant the consistency with the social mission

Influencing factors

To determine whether the measurement of some aspects depended on certain characteristics of social enterprise has been made the chi-square test on the questions "is measured" on the 30 issues subject to survey.

As grouping variables for the t-test were chosen as follows:

- Foundation year, using the median as the dividing point
- Number of employees, using the median as the dividing point
- Scope of operation, using a binary variable for each field

The results arising from the t-test are shown in the following Table 3.15:

Grouping variable	Cutpoint	Issues with significant differences between the averages of the two groups
Foundation year	1997	7. Goods constrained 9. Objectives achieved 11. Customer satisfaction 13. Reports and complaints of stakeholders 25. Accessibility of information 26. Level of cooperation with the media 28. Consistency projects-mission 30. Consistency results-strategy

Employees Number	28	1. Revenues and operating costs 6. Duration of contracts 17. Indicators of staff diversity 19. Impact on the community
Intervention area	Social Assistance	6. Duration of contracts 25. Accessibility of information
	Health Health	1. Revenues and operating costs 24. Communication
	Education	3. Receivables, payables 6. Duration of contracts 11. Customer satisfaction
	Training & education	4. Share of profits reinvested 5. Funds raised 8. Productivity 10. Index coverage of projects 12. Beneficiaries satisfaction 15. Staff turnover 18. Proportion of employees and volunteers 28. Consistency projects-mission
	Environmental protection	25. Accessibility of information 26. Level of cooperation with the media
	Social tourism	24. Communication
	Services to SE	9. Objectives achieved

Tab. 3.15: Results T-test for Foundation year, Employees Number, Intervention area

Considering the year of founding we can observe that social enterprises founded after 1997 tend to evaluate all 30 aspects most useful. It is therefore a greater propensity for measuring by more recent social enterprise.

Based on the analysis regarding the number of employees are obtained similar results: larger firms are more sensitive to the issue of performance measurement. The analysis of test relative to the areas of intervention, underline clearly the influence that the enterprise mission holds on its measurement needs.

3.3.3: What SEs consider important?

Moving to the relevance of different performance dimensions, Table 3.16 reports mean and standard deviations assigned to the 30 items by the respondents.

The items that were ranked higher by the respondents comprise elements related to efficiency and financial sustainability, in particular revenues and operating costs (4,71

on 5) Salaries and wages for staff (4,61 on 5) but also element related to consistency as consistency between results and strategy (4,44 on 5):

What SEs consider important?	N	Min	Max	Sum	Average	Standard deviation
1. Revenues and operating costs	85	1	5	400	4,71	,633
2. Salaries and wages for staff	88	1	5	406	4,61	,718
8. Productivity manufacturing processes	67	1	5	300	4,48	,894
3. Receivables, payables and collectability	81	1	5	361	4,46	,895
30. Consistency results - strategy	70	1	5	311	4,44	,810
6. Duration and amount of contracts	75	1	5	329	4,39	,999
11. Customer satisfaction	73	2	5	319	4,37	,808
12. Beneficiaries satisfaction	53	1	5	228	4,30	1,085
10. Index coverage of projects	68	1	5	289	4,25	1,013
29. Consistency products - objectives	62	1	5	263	4,24	,970
13. Complaints of stakeholders	54	1	5	224	4,15	,998
9. % projects that achieve objectives	64	1	5	265	4,14	1,111
14. Employee satisfaction	64	1	5	265	4,14	1,052
20. Claims and non-compliance	66	2	5	272	4,12	,903
16 Professional development of staff	68	1	5	279	4,10	1,024
28. Consistency projects - mission	42	1	5	172	4,10	1,206
4. Share profit reinvested	56	1	5	224	4,00	1,293
19. Impact on the community	43	1	5	172	4,00	1,069
7. Goods constrained	48	1	5	190	3,96	1,288
27. Consistency investments - mission	52	1	5	204	3,92	1,169
24. Communication	46	1	5	177	3,85	1,032
25. Accessibility of information	44	1	5	169	3,84	1,140
5. Funds raised	68	1	5	261	3,84	1,180
15. Staff turnover	55	1	5	210	3,82	1,335
26. Level of cooperation with the media	34	1	5	129	3,79	1,250
21. Proportion of actual beneficiaries	33	1	5	115	3,48	1,253
22. Cost concentrated on local suppliers	37	1	5	124	3,35	1,513
23. Environmental impact	36	1	5	120	3,33	1,512
17. Indicators of staff diversity	55	1	5	177	3,22	1,228
18. Proportion employees - volunteers	56	1	5	177	3,16	1,304

Table 3.16: Ranking of the issues submitted to the survey based on the utility level attributed by social enterprises

The data shows that the items that are measured more frequently are also those that are considered more relevant by the respondents. Another important consideration that emerges from utility assessments about the extent of the impact on the

community (item 19). This measurement is performed only by about a third of respondents but those who believe the measure is very useful. Also they consider useful the aspects of efficiency and effectiveness.

EVIDENCE 5:

The social enterprises consider highly relevant economic, social, environmental issues

Influencing factors

To identify the possible influencing factors we realized the test T for the same previous factors: foundation year, number of employees and scope of operation, and also for dependence of the stakeholders representation of in decision-making process. We present the results related only the last factor.

Since the values being expressed in percentages, is necessary to group the firms into categories based on the predominant features of the stakeholders representation. We then identified the following categories:

- Enterprises with a majority of staff representation
- Enterprises with a majority of members representation
- Enterprises with prevailing community representation
- Enterprises with a majority of investors representation
- Enterprises with a majority of beneficiaries representation
- Enterprises with a majority of bank representation
- Enterprises with a majority of suppliers representation
- Enterprises with a majority of public representation
- Enterprises with balanced representation
- Enterprises without representation

The stakeholder representation in a decision-making process was considered to be prevalent when the respondent in the survey declared that the stakeholder is represented by a percentage greater than 50% and cases where he is the only stakeholder represented.

The t-test was performed on all the utility answers using as grouping variables the binary variables related to the membership in these clusters with the following results:

Grouping variable	Issues with significant differences between the averages of the two groups
Enterprises with high representation of stakeholders "Employees"	12. Beneficiaries satisfaction 13. Reports and complaints of stakeholders 14. Employee satisfaction 16 Professional development of staff 26. Level of cooperation with the media
Enterprises with high representation of stakeholders "Investors"	1. Revenues and operating costs 2. Salaries and wages for staff 3. Receivables and payables 9. % projects that achieve objectives 21. Proportion of actual beneficiaries 22. Costs concentrated on local suppliers 30. Consistency between results and strategy

Table 3.17: T-test results for representation configuration of stakeholders

The analysis shows that a high staff representation reinforces the need for indicators such as satisfaction and personal growth (indicators closely related to this category), are also considered the issues relating to the beneficiaries satisfaction and the level collaboration with the media.

Distinctly different the indicators considered useful for social enterprises with a majority of investors representation. These indicators show a greater interest in financial sustainability, effectiveness and social impact and consistency between strategy and results. These results confirm that those who finance a social activity also is attentive to the impact on the community.

To reinforce the analysis of the stakeholders influence on the measurement needs we identify, through filters selection and sorting data, the 15 indicators considered most relevant to each categories used for the test T.

The groupings made and results are shown in the following figure 3.2:

Who works	Who benefits	Who funds externally	Who funds internally
Stakeholders represented ▪ employees	Stakeholders represented ▪ beneficiaries ▪ community	Stakeholders represented ▪ banks ▪ suppliers ▪ public	Stakeholders represented ▪ investors ▪ members
costs and revenues beneficiary satisfaction productivity payables and receivables wages	costs and revenues accessibility information complaints and noncompliance stakeholder reports beneficiary	productivity consistency projects- mission costs and revenues wages consistency products-objectives	consistency results- strategy costs and revenues wages term contracts payables and receivables

stakeholder reports customer satisfaction term contracts personal satisfaction collaboration with the media consistency products-objectives consistency results- strategy professional development coverage ratios projects consistency projects- mission	satisfaction wages consistency results- strategy funds raised consistency products-objectives consistency projects-mission consistency invest- mission communication staff turnover personal satisfaction customer satisfaction	Customer satisfaction accessibility information beneficiary satisfaction professional development profits reinvested consistency results- strategy payables and receivables personal satisfaction funds raised share of local suppliers	objectives achieved productivity complaints and noncompliance coverage ratios projects customer satisfaction consistency products-objectives goods bound stakeholder reports consistency investim.-mission professional development
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Figure 3.2: the 15 indicators considered most important by the stakeholders represented

The result of this analysis has only quality value but it's interesting to note the presence in each table of the elements consistent with the interests of different stakeholders categories.

EVIDENCE 6:
The social enterprises are multi-stakeholder systems, this aspect determines the different information needs by different stakeholders

3.3.4 Which difficulties?

Finally, the respondents were asked to rank the 30 items in relation to the perceived difficulty, associated to their measurement.

This time, the items that were ranked higher are the impact on the community of SE activities (3,53), environmental impact (3,24), the productivity of production processes (3,17), and measures of consistency (2,89):

Which difficulties?	N	Min	Max	Sum	Average	Standard deviation
19. Impact on the community	43	1	5	152	3,53	1,162
23. Environmental impact	34	1	5	110	3,24	1,415
8. Productivity manufacturing processes	66	1	5	209	3,17	1,158
12. Beneficiaries satisfaction	51	1	5	155	3,04	1,311
26. Level of cooperation with the media	32	1	5	95	2,97	1,307
30. Consistency results - strategy	66	1	5	191	2,89	1,229
14. Employee satisfaction	63	1	5	181	2,87	1,114

29. Consistency products - objectives	59	1	5	167	2,83	1,275
11. Customer satisfaction	72	1	5	202	2,81	1,158
21. Proportion of actual beneficiaries	32	1	5	89	2,78	1,289
25. Accessibility of information	43	1	5	119	2,77	1,130
10. Index coverage of projects	65	1	5	179	2,75	1,132
3. Receivables, payables and collectability	81	1	5	219	2,70	1,101
16 Professional development of staff	67	1	5	180	2,69	1,117
1. Revenues and operating costs	85	1	5	224	2,64	1,078
13. Complaints of stakeholders	50	1	5	131	2,62	1,244
20. Claims and non-compliance	65	1	5	165	2,54	1,062
2. Salaries and wages for staff	87	1	5	220	2,53	1,021
27. Consistency investments - mission	50	1	5	126	2,52	1,111
9. % projects that achieve objectives	63	1	5	157	2,49	1,120
4. Share profit reinvested	53	1	5	126	2,38	1,333
24. Communication	45	1	5	105	2,33	1,206
6. Duration and amount of contracts	73	1	5	168	2,30	1,163
28. Consistency projects - mission	40	1	5	92	2,30	1,203
5. Funds raised	68	1	5	152	2,24	1,186
7. Goods constrained	44	1	5	96	2,18	1,167
22. Cost concentrated on local suppliers	36	1	5	78	2,17	1,159
17. Indicators of staff diversity	53	1	5	110	2,08	1,071
15. Staff turnover	55	1	5	110	2,00	1,106
18. Proportion employees - volunteers	55	1	5	105	1,91	1,023

Table 3.18: Ranking of the issues submitted to the survey based on the difficulty level attributed by social enterprises

EVIDENCE 7:

Social enterprises have difficulties in measurement, they require a simple performance measurement systems

The following is a summary chart of all responses received: x-axis represent the difficulty, the y-axis the utility, the bubble size is proportional to the number of responses "is measured" recorded for each aspect:

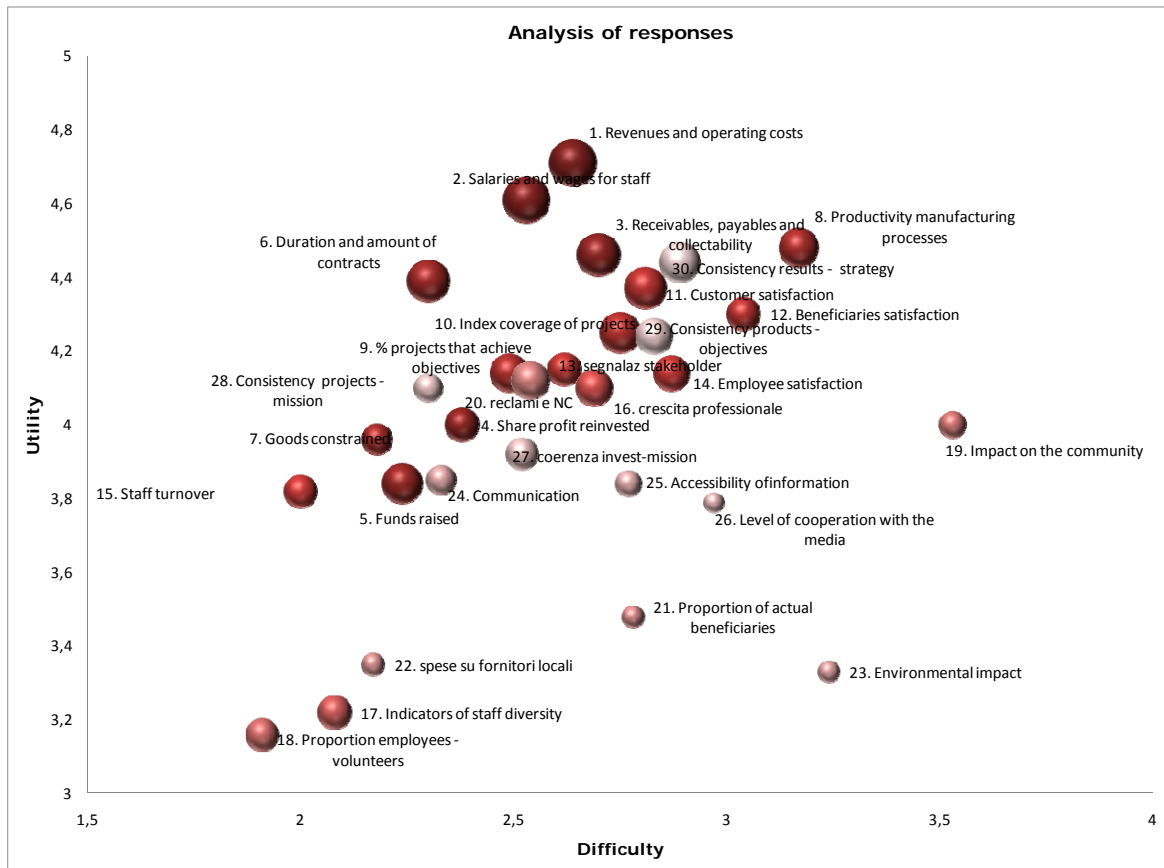


Fig. 3.3: Overall diagram of responses received

Influencing factors

To complete the analysis was also performed a t - test to observe any relationship between SE that have reported a difficulty equal or greater than 3 in the cost and revenues measurement and the outcome of the response for the measurement of impacts on the community. The test was positive both in relation to impacts measurement and to the assessment on its difficulty. Shows that the enterprises that report more difficulties in the financial aspects measurement, they are actually more inclined to measure the impacts of the others.

3.4 Definition of the characteristics to which the PMS for Ses has to respond

The exploratory surveys results have confirmed the different needs and characteristics of SEs defined in previous chapters.

These features have been highlighted in the text through the box "evidence", the final objective of the survey is the definition of the characteristics to which the PMS for Ses has to respond, for this reason we detail the PMS characteristics based on the evidence.

The mission of the social enterprise has a strong influence on the measurement priorities, confirming the nature of mission oriented organization. In fact, for the social enterprise, the mission drives the goal toward which all activities should strive. These enterprises have the need for measurements related to the achievement of its mission. The mission considers multi-objectives:

EVIDENCE 1:

SEs have multi-objectives: in many cases, the same social enterprise operates in different areas

In particular they are rather intended to achieve several objectives with equal priority:

EVIDENCE 5:

The social enterprises consider as relevant the economic, social, environmental aspects

- Economic objectives related to their entrepreneurial nature;
- Social objectives related to their specific mission of producing benefits for the community (they are often innovative and can contribute in reforming public policies);
- Environmental objectives related to environmental sustainability.

The PMS has to represent the Multi-purposes aspect.

EVIDENCE 6:

The social enterprises are multi-stakeholder systems, this aspect determines the different information needs by different stakeholders

SEs are highly participative in nature and are characterized by a constant involvement of internal and external subjects in their strategic choices. This kind of involvement is essential (i.e SE can't do without) to understand the real needs of the context and the

great deal of knowledge of their markets and to be able to give an adequate long term response.

The PMS has to represent the Multi-stakeholder nature.

EVIDENCE 4:

The social enterprises consider as relevant the consistency with the social mission

SEs are mission-driven organization that trades in goods or services for a social purpose, therefore the coherence between social mission and results must be measured.

The PMS has to represent the strong consistency with the social mission.

EVIDENCE 2:

The same social enterprise works for continuous activities and projects

Social enterprises aren't often organized in units, but for activities or projects:

The PMS must be able to measure the performance indicators for each organizational unit, activities and projects.

EVIDENCE 3:

The social enterprises born to respond to social needs

The enterprise must respond to the social need of community target, and then the **PMS has to follow its evolution.**

EVIDENCE 7:

Social enterprises have difficulties in measurement, they require a simple performance measurement systems

The management skills and the measurement need have been recognized that should be strengthened.

Indeed the PMS must be comprehensibility and simple to use.

Based on these considerations, it's possible summarize the PMS characteristics to meet those needs:

1. Complete	to represent the different aspects of the business: Multi-purpose, multi-stakeholder, strong consistency with the social mission
2. Selective	to capture the relevant aspects: economic, social, environmental
3. Identification specific responsibilities	to measure the performance indicators for each organizational units and for areas and projects
4. Measurable	to associate to each performance one indicator objectively detectable
5. Dynamic	to follow the dynamics of the organization: evolution and rapid changes of SE to respond to social needs
6. Reliable and accurate	to correctly assess the impact of performance monitored with respect to the overall objectives: measurable and credible data
7. Simple	easy to use , comprehensibility
8. Timely	the ability to quickly provide the information requested

Table 3.19: PMS characteristics for SES

II. APPROACH DEVELOPMENT

4. Literature analysis

In chapter 3, we defined the characteristics to which the PMS for SEs has to respond based on the literature analysis related to the distinctive features of SEs and the survey results. In this section, we analysed the existing tools to measure the SE value and we discuss in details the strengths and weaknesses of each tool compared to the desired characteristics to whom a PMS should answer. Considering the limitations of the existing tools developed for SEs, we referred to three different streams of literature for the creation of a performance measurement system ad hoc for the SEs, highlighting for each of them the core contribution to this work.

4.1 *Tools proposed to measure SE value*

The tools specifically proposed to measure SE performances can be grouped into five main categories :

- The economic monetization methods, such as Social Return on Investment (SROI), (New Economics Foundation, 2004);
- The methods based on the Balanced Scorecard such as the BSC Model of Bull (2007), Social Enterprise Balanced Scorecard (SEBSC) proposed by Somers (2005), the BSC adapted by Kaplan (2001);
- The model of justice in the management of organizational stakeholders of Simmons (2003);
- The specific methods for the social impact assessment such as the "SIMPLE method" proposed by McLoughlin et al. (2009);
- The multidimensional control system proposed by Bagnoli & Megali (2011).

4.1.1 The Social Return on Investment

Definition and characteristics

SROI is defined as 'a form of adjusted cost-benefit analysis that takes into account, in a more holistic way, the various types of impacts that programmes have (Lawlor, 2009). Developed by the Roberts Enterprise Development Fund (REDF) and tested by the New Economics Foundation (NEF 2007), this technique is based upon traditional

cost-benefit analysis (CBA) but assigns the monetary values to the social outputs produced by a social enterprise. Like more traditional CBA, SROI combines the discounted cash flows associated to benefits and costs related to a certain activity over a certain period of time.

SROI is generally considered an approach specifically aimed to identify and evaluate the value created by social businesses. It requires to review and synthesize the inputs, outputs, outcomes and impacts made and experienced by the stakeholders of an organisation in relation to its activities, and assigning a monetary value to social, economic and environmental benefits and costs created by an organisation. SROI measurement should be matched by qualitative evidence based on stakeholder inquiry, wherein the 'stakeholder' is defined as 'people or organisations that experience change, whether positive or negative, as a result of the activity being analysed (Nicholls et al., 2009).

In order to estimate the positive (or negative) social value of non-traded, nonmarket goods the use of financial proxies is the main attraction in deciding to use the SROI approach (Flockhart, 2005). The SROI measures the value of social benefits created by an organisation, in relation to the relative cost of achieving those benefits, as illustrated below (Rotheroe and Richards 2007):

$$SROI = \text{Net Present Value of Benefits} / \text{Net Present Value of Investment}$$

It is a sophisticated technique that allows the projection of results, therefore capturing the value of accrued benefits which when compared to the level of investment produces the SROI ratio.

The result of the SROI is a ratio of monetised social value. The strong emphasis on involving stakeholders is considered a distinctive feature of SROI. However, some stakeholders may also be difficult to identify, particularly where some outcomes are not foreseen (unexpected outcomes), and where gains mostly occur in the future (Lawlor, 2009). The exercise of mapping impact involves defining outcomes and impacts. The approach is focused on attributing financial value to inputs and outputs, leading to the final process of calculating the SROI ratio (Lyon et al., 2010).

Limitations

While SROI may provide evidence and estimates of impact it currently offers a weak basis for understanding how and why impacts occur (McLoughlin et al., 2009). This

limitation makes it an inadequate tool for understanding change, for improving or replicating interventions. For example, a nursery may have raised attainment for children and opportunities for parents but this could be attributed to the quality of the staff, the indoor and outdoor facilities, or the support provided to parents. Relying primarily on SROI as the basis for replication and scaling up of project interventions provides us with a weak and insufficient instrument since it does not say enough about the underlying mechanisms, existing principles and (moral and financial) values that have contributed to the outcomes (Ryan and Lyne, 2008).

The focus of SROI is expressing social benefits in monetary terms. To achieve this goal it frequently uses public spending figures as proxies for positive social change. And, potentially that might include any negative consequences, too. These financial proxies are an attempt to express in monetary terms positive externalities of various activities. This SROI approach does not capture the social value in terms of improvement of personal utility, i.e. quality of life, (Beckerman and Pasek, 2001). Second, not all impacts can be traced to measures like money actually, in some cases, this could be counterproductive. In addition, the methodology is difficult to apply, especially for small organizations that have not developed a high culture of measuring the social impact and reporting systems (McLoughlin et al., 2009).

Tool characteristics in relation to the PMS features

Finally we analyze the characteristics of this tool in relation to the PMS characteristics that we defined in the prior chapter.

According to the above framework, the SROI appear:

PMS characteristics	Level compliance: High, Medium, Low	Explanation
Completeness	Low	it does not appear able to represent the multi-objectives nature of SEs and capture the information needs of the different stakeholders
Selectivity	Medium	the tool captures the economic aspects but catches the social and environmental aspects only partially
Ability to identify the specific responsibilities	Low	it doesn't measures the performance indicators for areas and projects
Measurability	High	it defines one synthetic indicator detectable
Dynamism	Low	the tool is a weak basis for

		understanding how and why impacts occur. This limitation makes it inadequate for understanding change and supporting SEs in dealing with the changing environment in which they have to compete
Reliability and accuracy	Low	it is not able to correctly assess the impact of performance monitored and to define the measurable data for different objectives
Simplicity	Low	the methodology is difficult to apply
Timeliness	Medium	it has the ability to quickly provide some information requested.

Table 4.1: SROI evaluation

4.1.2 The methods based on the Balanced Scorecard

The second category of measurement tools that has been proposed to measure SE performances is an evolution of the balanced scorecard (Kaplan and Norton, 1996). Somers (2005) Bull (2007) and Kaplan (2001) move from the original Kaplan and Norton's balanced scorecard trying to incorporate the consideration of different groups of stakeholders, for tailoring the above model to the specificities of SEs.

A. SEBS Model of Somers

Definition and characteristics

Somers (2005) develops the SE balanced scorecard (SEBC) introducing three main changes to the original model: an additional layer is added, articulating social goals above the financial perspective; the financial perspective is broadened to focus on sustainability; and the customer perspective is widened to capture a larger number of stakeholder groups, distinguishing between those who pay for a service and those who consume it (donors, grant funders, employees, and the wider community).

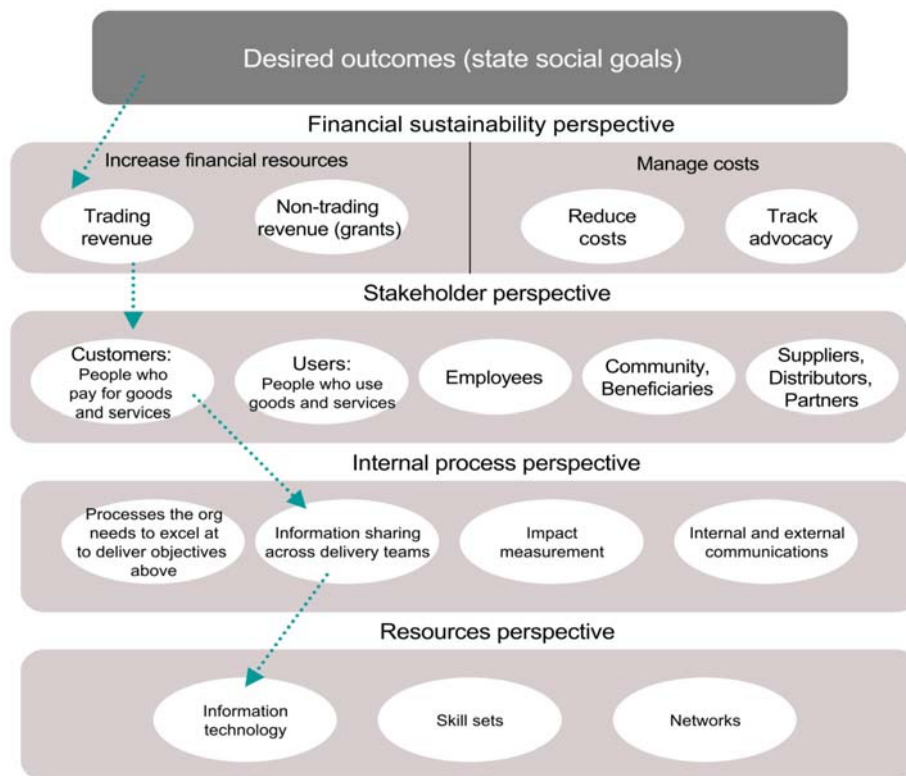


Figure 4.1: The SE balanced scorecard (SEBC) of Somers 2005

In the above model (Figure 4.1), SEs have first to state their social goals as desired outcomes, and then move into the perspectives. In the financial sustainability perspective, each 'bubble' represents an objective. The SEBC appears more complex compared to the traditional version proposed by Kaplan and Norton, and this reflects the hybrid nature of social enterprises that demands more complex management systems. This is best demonstrated through the stakeholder perspective, which has been widened from customers in the original model to distinguishing between those who pay for a service and those who consume it (donors, grant funders, employees, and the wider community).

In Figure 4.1, the arrows illustrate one cause and effect chain from the strategy map. For example, assume ABC Institute is a childcare training organization. ABC's goal is to empower single mothers (social goal) through providing access to training (financial perspective - trading activity). The government (as paying customer in stakeholder perspective) requires that ABC demonstrate 'value for money'. The organization makes the assumption that the best way to demonstrate this is by reporting impact delivered to the client group (single mother's - client in stakeholder perspective) across the organization's activities (internal process perspective). The best way to

resource this is through the purchasing new data management software that relevant staff members can access across the Institute (resources perspective).

Social motives drive strategy development: an organization can have a mission that is ongoing over a significant period of time, however a strategy is time sensitive and reflects what the organization is trying to achieve within a fixed period of time. The strategy should be the means through which the mission is achieved. The SEBC creates a space for social enterprises to articulate social goals (Deakins et al., 2002).

Limitations

Despite the fact that Somers’s model better reflect the final goals of a SE, this proposal do not fully capture the complexity and dynamism of SE performances. First, the SEBC is a static framework that does not consider how the relevant performances of a SE change during its life cycle. Second, the enlargement of the customer perspective seems to answer only partially to the informative needs of different stakeholders. As highlighted above, the set of subjects that can be interested in the results of a SE is much wider compared to other organization and the kind of information that is needed is generally much differentiated (Bourne, 2002). The SEBC still aims to provide a general picture of the performances of a SE, without tackling in details the needs and the wants of different stakeholders in each individual stage of the SE lifecycle.

Tool characteristics in relation to the PMS features

In detail we analysis as the tool respond to the PMS characteristics. Somers’ model appear to be:

PMS characteristics	Level compliance: High, Medium, Low	Explanation
Completeness	Medium	it be able to represent the multi-objectives system but don't represents entirely the different stakeholder
Selectivity	Low	the tool captures the economic aspects but doesn't catches the social and environmental aspects
Ability to identify the specific responsibilities	Medium	it measures the performance indicators only for some aspects

Measurability	Medium	the performances are measured with indicators that are then linked to objectives identified in each of the four perspectives. But the model doesn't define a set of social, financial and environmental impact indicators
Dynamism	Low	the tool doesn't follow the evolution and rapid changes of SE
Reliability and accuracy	Medium	the model assess in part the impact of performance monitored
Simplicity	Low	the methodology is difficult to develop and apply
Timeliness	Low	it hasn't the ability to quickly provide some information requested

Table 4.2: SEBC evaluation

B. BSC Model proposed by Bull (2007)

Definition and characteristics

Bull (2007) adapts the original model proposed by Kaplan and Norton to SEs by substituting the traditional balanced scorecard areas with four new areas, though partially overlapping to the traditional ones: learning organization; internal activities; stakeholders environment and multi bottom line, as shown in Figure 4.2:



Figure 4.2: The Balance Model and Topic Areas of Bull 2007

As follows, we provide an overview of each of the sections and the issues and topics targeted by the tool (Bull 2007):

Return: The Multi Bottom Line. This section corresponds to the financial section of the BSC. Profit organization has the final objective of creating economic value, that is measured in financial terms and corresponds, in the short term, to the improvement of the company's profitability. However, in social businesses the final objective can be very different. The philosophy of profit maximisation and market exploitation is replaced with an approach that strives towards strategies providing social or environment benefits. Social Enterprises therefore exist to provide help and support for a wide range of social and environmental reasons that 'give back' to society; hence, the 'multi-bottom line'. The essence of this section focuses on social, environmental and financial sustainability: budget and expenditure management; expressed organisational social/environment aims; the linking of issues combining social and economic accountability and performance issues. These critical indicators encapsulate those issues SE's owner/managers consider indicative of the performance of their organisations.

A Learning Organisation: This section explores the social capital and knowledge of organisations. This area derives from the 'learning and growth' perspective of the BSC. This section considers: learning culture, creativity, participative decision making, team working, leadership and continuous improvement as a means of assessing the capacity to capitalise on knowledge and learning opportunities.

The Stakeholder Environment: This section was renamed to replace the 'customer' section of the BSC, as the term 'stakeholder' is more representative of SE nature that is aimed to serve and satisfy multiple groups of people. These include end users, funders, communities and society as a whole. The critical factors unearthed an awareness of the stakeholder, competitor identification and awareness, image and identity, promotional activities, marketing budgets and importantly, the evaluation of the effectiveness of each of these practices.

Internal Activities: This section derives from the 'internal business process' perspective of the BSC. It is concerned with the working practices, structure and systems of organisations.

Visioning: This is the last section of the model, which highlights the relevance of making the vision of the organization explicit and related to the other performance perspective, guiding their deployment. Critical issues for social enterprise owner/managers were concerned with how managers strategically engaged with

business tools such as missions and business plans, and essentially how these plans are communicated to the various stakeholder parties.

Limitations

The Bull's model as the Somers's model does not fully capture the complexity and dynamism of SE performances (Brignall, 2003). The model is a static framework and the stakeholder perspective answers only partially to the informative needs of different stakeholders. Moreover the section related to a Learning Organisation explores the social capital and knowledge through indicators difficult to measure. Finally both systems are deficient in providing tools for the explicit definition of the impacts generated by the activities of external analysis but focus more on internal processes. (McLoughlin et al., 2009).

Tool characteristics in relation to the PMS features

Below the analysis of the tool according to the PMS characteristics:

PMS characteristics	Level compliance: High, Medium, Low	Explanation
Completeness	Medium	it be able to represent the multi-objectives system but doesn't represents entirely the different stakeholder
Selectivity	Medium	the tool captures the economic and social aspects but doesn't catches the environmental aspects
Ability to identify the specific responsibilities	Medium	it measures the performance indicators only for some areas
Measurability	Medium	the tool underlines the importance to define social, environment and financial indicators but doesn't propose a complete set
Dynamism	Low	the tool doesn't follow the evolution and rapid changes of SE
Reliability and accuracy	High	the model assesses the credible data respect the objectives monitored
Simplicity	Medium	the methodology is comprehensible but difficult to apply
Timeliness	High	it has the ability to quickly provide the information requested

Table 4.3: Bull's BSC evaluation

C. BSC adapted of Kaplan

Definition and characteristics

Kaplan proposed an adaptation of his own scorecard with a different approach than other authors. While the models proposed by Bull and Somers offer a new framework by applying the philosophy of the BSC to a different organizational structure, Kaplan offers a different conceptual approach, without making explicit a new framework. Kaplan starts from the consideration that while for a private sector company, financial measures provide the accountability measure between the company and its owners, the shareholders. That is why the financial perspective was placed at the top of the Balanced Scorecard hierarchy. For the social enterprise the agency's mission represents the accountability between it and society—the rationale for its existence. The mission should therefore be featured and measured at the highest level of its scorecard (Kaplan, 2001). Such an objective may only show progress with long lags, which is why the measures in the four main perspectives of the Balanced Scorecard will provide the short- to intermediate-term targets and feedback. The following is the conceptual model of Kaplan addressed to non-profit organizations, but also social enterprises:

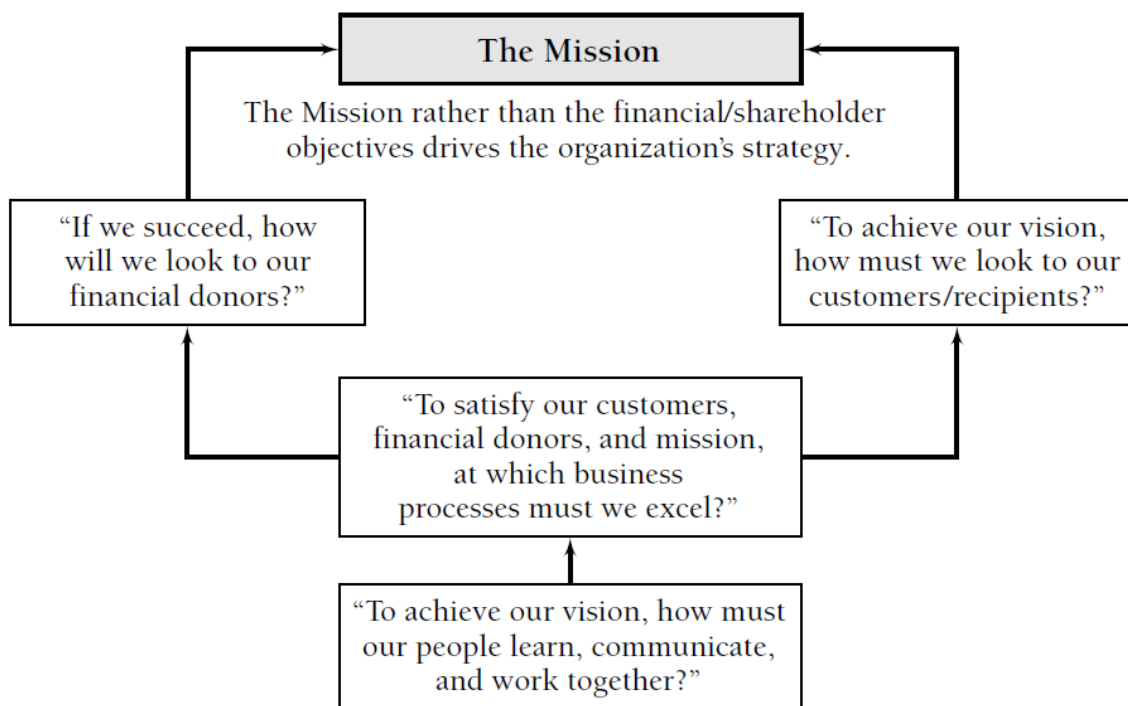


Figure 4.3: The BSC Framework adapted by Kaplan 2011

As another modification of the private sector scorecard framework, SEs need to expand the definition of who their customers are. In a private sector transaction, customers both pay for the service and receive the service. The two roles are so intertwined that most people don't even think about them separately. But in the case of SEs, those who pay for the service are frequent donors, that provide the financial resources, whereas another group, the constituents, receives the service. This rises a key question, that is "Who is the customer, the one paying or the one receiving?" Rather than making such a decision, organizations have placed the donor perspective and the recipient perspective in parallel, at the top of their Balanced Scorecards (see Figure 4.3).

Limitations

The model seeks to bridge the gap between vague mission and strategy statements and day-to-day operational actions. The measurement system has shifted the organization's focus from programs and initiatives to the outcomes the programs and initiatives are supposed to accomplish.

But the model doesn't consider the strategy and the diverse and noncumulative set of programs and initiatives (Sowa et. al., 2004). Finally the tool doesn't propose a set of indicators to measure the performances.

Tool characteristics in relation to the PMS features

Therefore, the model is:

PMS characteristics	Level compliance: High, Medium, Low	Explanation
Completeness	High	it be able to represent the multi-objectives system and the different stakeholder needs, because places at the center the mission
Selectivity	Medium	the tool captures the economic and social aspects but doesn't catches the environmental aspects
Ability to identify the specific responsibilities	-	the feature not defined for this instrument
Measurability	Low	the tool doesn't associate to each performance one indicator that must be objectively detectable
Dynamism	Medium	the tool seeks to follow the evolution and rapid changes of SE based on the mission

Reliability and accuracy	Medium	the mission centrality ensures the connection between the performance monitored and the overall objectives but the model doesn't define the set of credible data
Simplicity	High	the methodology is comprehensible and easy to apply
Timeliness	High	it has the ability to quickly provide the information requested

Table 4.4: BSC adapted of Kaplan evaluation

4.1.3 The model of justice

Definition and characteristics

The Simmons' model (2003) focuses on the effectiveness of the management of stakeholders in a model of performance management systems. In the model are outlined the design, operation and phases of the evaluation system with the respective dimensions of organizational justice. The model assumes a series of stakeholder perspectives aimed to determine the legitimacy and priority requests. The method uses stakeholder analysis to determine the relevance and then to establish a ranking of the aspects considered important to measure (Mitchell et al., 1997). The view of effective performance management systems as 'negotiated outcomes' raises the vital management issue of how to achieve stakeholder consensus on performance measures that recognize the views of stakeholder groups and relationships between them. Simmons based his model on the assumption that effective governance must incorporate the views of stakeholders in decision-making process, as shown in Figure:

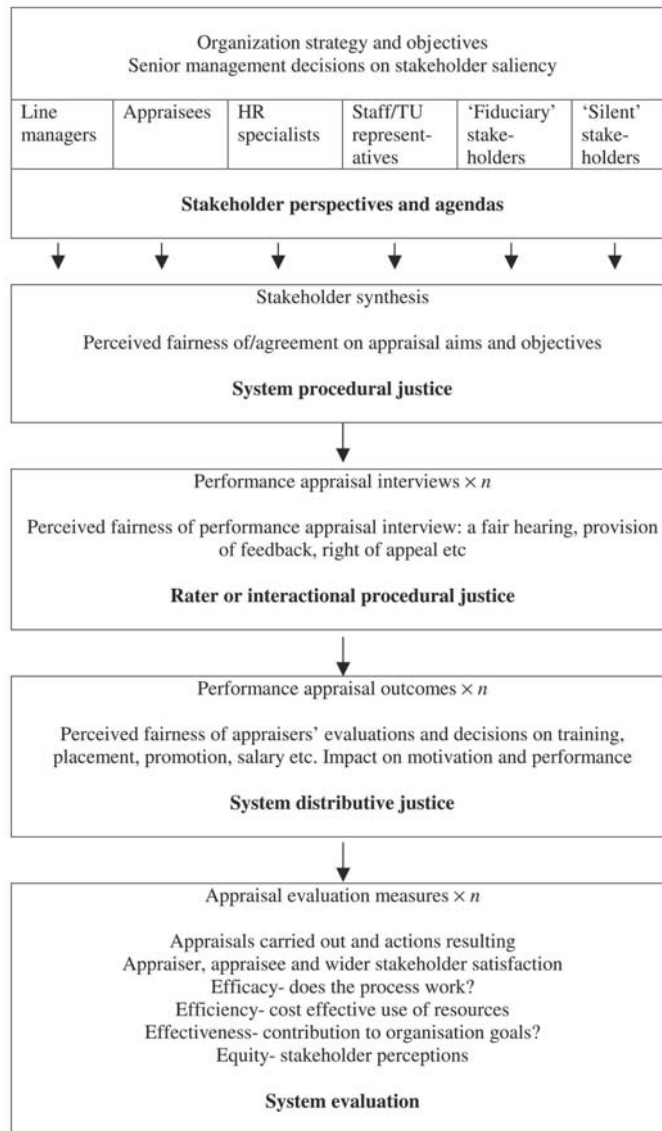


Figure 4.4: The model of justice in the management of organizational stakeholders of Simmons 2003

The achievement of consensus among stakeholders regarding the performance measures of the company is considered a fundamental aspect of this model to the point of considering the validity of a measurement system primarily in terms of its acceptability among the stakeholders (Simmons, 2003).

The Simmons's model (Figure 4.4) incorporates ethical and effectiveness considerations within a stakeholder systems model of performance management. Management decisions on stakeholder saliency mean certain stakeholder perspectives are acknowledged as requiring reconciliation with those of other salient stakeholder groups.

Limitations

A major organizational concern is to gain employee commitment to 'high performance' HRM practices. Research evidence suggests employee influence on HR procedures and performance criteria enhances levels of acceptance, commitment (Pettijohn et al., 2001), job satisfaction (Martin, 1994) and organizational justice (Flint, 1999). The research study described aligns with these in suggesting employee views of equity in organizations are influenced by the acceptability of HR systems and decision criteria as well as by their outcomes. The model therefore advocates stakeholder analysis as a means of recognizing competing stakeholder claims within a more democratic and accountable HR philosophy. More formalized stakeholder involvement is facilitated by its incorporation within a stakeholder systems model of HRM. However, models and techniques for more socially responsible HR practice are insufficient in themselves.

Tool characteristics in relation to the PMS features

In summary, the instrument is:

PMS characteristics	Level compliance: High, Medium, Low	Explanation
Completeness	High	it be able to represent the multi-objectives system and the different stakeholder needs, because starts from the stakeholder perspectives and agendas
Selectivity	Medium	the tool could capture all aspects through the stakeholders perspective, but it is not specified
Ability to identify the specific responsibilities	-	the feature not defined for this instrument
Measurability	Low	the tool doesn't associate to each performance one indicator that must be objectively detectable
Dynamism	Medium	the tool could seek to follow the evolution and rapid changes of SE based on the stakeholders perspective
Reliability and accuracy	Medium	the important dimensions are defined but the model doesn't define the set of credible data
Simplicity	High	the methodology is comprehensible and easy to apply
Timeliness	High	it has the ability to quickly provide the information requested

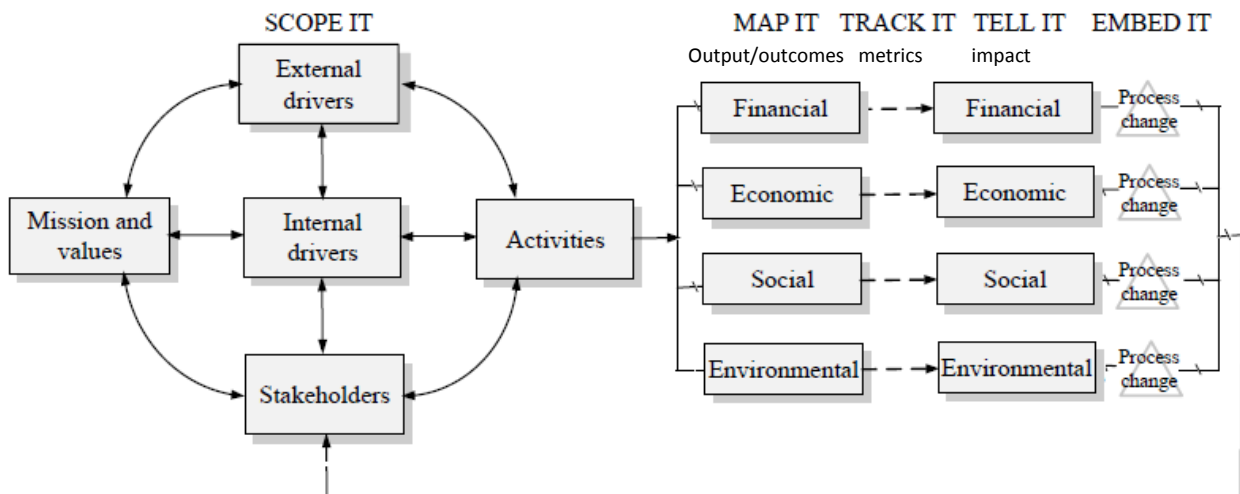
Table 4.5: Simmons's model evaluation

4.1.4 The SIMPLE method

Definition and characteristics

The method of measuring the impacts SIMPLE, acronym of "Social Impact for Local Economy" (McLoughlin et al., 2009) adopts a five stage approach to impact measurement.

These steps help SE managers to conceptualize the impact problem (SCOPE IT); identify and prioritize impacts for measurement (MAP IT); develop appropriate impact measures (TRACK IT); report impacts (TELL IT) and to integrate the results in management decision making and the culture of the organization (EMBED IT). The SIMPLE model's five stage method is designed to break down the complexity of impact measurement into easily accessible parts for training and management purposes. It is useful to view all stages as a fully integrated management tool which is best expressed holistically as shown below. The model features a 4BL approach to impact categorization, embracing financial, economic, social and environmental impacts. These elements are explained further below under the measurement process section (Figure 4.5):



PHASE	DESCRIPTION
SCOPE-IT	Definition the measuring purpose and understanding the impact drivers
MAP-IT	Impacts Identification and determination of measurement priorities
TRACK-IT	Selection of impact indicators and measurement

TELL-IT	Develop appropriate means of reporting and impacts communication
EMBED-IT	Definition of management procedures to allow the organization to change and improve based on the results of measurements

Figure 4.5: The five phases of the SIMPLE model for the impacts measurement in optical 4BL

The SCOPE IT part of the SIMPLE impact model identifies four key impact drivers: mission, external, internal and stakeholder drivers. These drivers can be analysed at different levels of depth depending on the intended use of the model. For impact measurement training purposes a “light” version of the model can be employed to rapidly develop key impact measures. Then the four drivers can help to conceptualise the impact problem, identify impacts and trace how impact changes.

However, a “deeper” usage of the model would be to integrate strategic planning (undertaking a strategic review in the SCOPE IT section) with an impact measurement system (through MAP IT, TRACK IT, TELL IT in the model) that can inform future strategic decision making and drive change and continuous improvement (EMBED IT).

The model aims to identify the impacts through the impact driver and to establish priorities for evaluation purposes. It also provides criteria for the identification of impact indicators (KII - Key Impact Indicators) and therefore provides support for the communication processes of the SE about its impacts.

The SIMPLE holistic model places stakeholders as a separate dimension of impact because they are a key consideration for all the other components of the model either directly or indirectly to influence final impacts.

Limitations

The SIMPLE holistic impact measurement model provides a both a conceptual and practical approach to measuring impact.

The results from the preliminary qualitative evaluation revealed a contrasting picture which, on the one hand, demonstrated the participants’ positive learning experiences on impact measurement and an intension to implement, but, on the other hand, clearly further support was needed, for the majority of participants, regarding moving to actual implementation and embedding of social impact systems. This approach guides the impact measurement, through the various steps to tailored indicator design which are most relevant and practical for SE managers to implement. However, being a holistic, non-prescriptive tool, SIMPLE can easily accommodate

other measurement methods as chosen measures depending on an SE's priorities, purpose, resources, capabilities. It all depends on the impact measurement needs and priorities of each particular SE.

The model requires slight adaptations, for example through addressing feedback loops and adapting other conventional management tools and systematise successful processes and reduce the resource costs of embedding; improve data capture systems and costs.

Tool characteristics in relation to the PMS features

In summary:

PMS characteristics	Level compliance: High, Medium, Low	Explanation
Completeness	High	it be able to represent the multi-objectives system and the different stakeholder needs, because incorporates an approach 4BL (financial, economic, social and environmental impacts) and the stakeholder perspectives
Selectivity	High	the tool capture all aspects through the different steps
Ability to identify the specific responsibilities	-	the feature not defined for this instrument
Measurability	Medium	the tool defines the criteria to associate to each performance the KII indicator, but doesn't defines them
Dynamism	Medium	the tool could seek to follow the evolution and rapid changes of SE based on the different steps
Reliability and accuracy	Medium	the important dimensions are defined but the model doesn't define the set of credible data
Simplicity	Low	the methodology is complicated
Timeliness	Medium	it has in part the ability to quickly provide some information requested

Table 4.6: SIMPLE model evaluation

4.1.5 The multidimensional control system model Bagnoli & Megali (2011)

Definition and characteristics

The multidimensional control system proposed by Bagnoli & Megali (2011) propose of constructing a map of indicators to measure SE success, by considering three performance dimensions: Economic and financial performance, Social effectiveness and Institutional legitimacy (Figure 4.6).

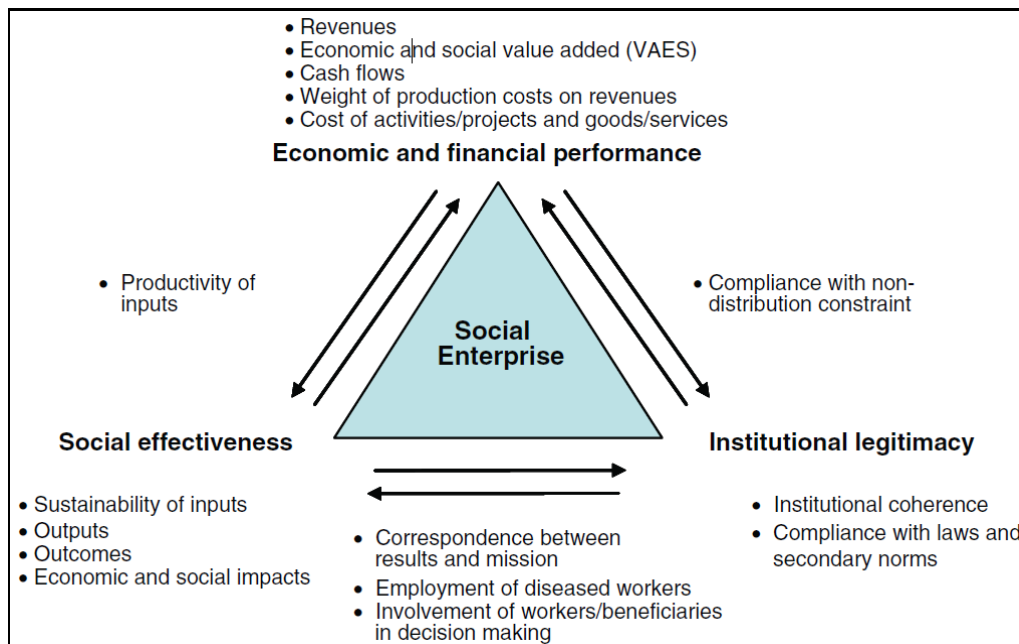


Figure 4.6: The multidimensional control system proposed by Bagnoli & Megali 2011

The indicators reported in figure 4.6 correspond to the KPIs that were judged significant by the authors in a specific case.

At a general extent, the SE's management should point out the following aspects:

1. For the economic-financial dimension

- income statement, demonstrating economic equilibrium, at least in terms of breakeven;
- economic and social value added, demonstrating the equitable remuneration of stakeholders involved in the production process;
- cash flow generated and thus the capacity of the SE to maintain a financial equilibrium compatible with its marketplace and with its particular investment and development strategies;

- incidence of production costs on revenues, also compared with other market players (for-profit, public, nonprofit);

- cost of activities/projects and goods/services, providing quantitative data on the basis of which prices are fixed and tenders for public calls submitted.

2. For the social-effectiveness dimension

- evaluation of the sustainability of resources and production methods (environmental and social);

- output in terms of “physical” results: the number of services, actions, and so on;

- outcome indicators on the basis of concrete actions and in relationship to external benchmarks;

- evaluation of economic and social impact.

3. For the legitimacy dimension

- institutional coherence, thus the coherence of activities with the stated mission;

- compliance with general and particular laws applicable;

- compliance with secondary norms;

Moreover, in matching these three dimensions, the model proposes further integrated measures:

4. For the economic-financial and social-effectiveness fields

- productivity of inputs (labor costs for services rendered, etc.)

5. For the economic-financial and legitimacy fields

- compliance with the non-distribution constraint

6. For the social effectiveness and legitimacy fields

- correspondence between achieved results (revenues, outcomes, impact) and the SE’s stated mission;

- involvement of workers and users/beneficiaries in decision making.

All these indicators can be both determined programmatically (in the target setting phase) and monitored ex-post to enable an effective explication of the control process.

Limitations

The proposed model complements the extant literature thanks to the emphasis given to the issue of social effectiveness and institutional legitimacy, that are “new” dimensions, not addressed in the previous approaches. However, it overlooks the existence of different information requirements coming from different stakeholders (Defourny, Nyssens; 2008 and Nyssens; 2006). Finally the model doesn’t define a set of measurable indicators.

Tool characteristics in relation to the PMS features

Below the analysis of the tool according to the PMS characteristics:

PMS characteristics	Level compliance: High, Medium, Low	Explanation
Completeness	Medium	it doesn't represents the different stakeholder perspectives
Selectivity	Medium	the tool capture the financial end social aspects but doesn't consider the environmental aspects
Ability to identify the specific responsibilities	-	feature not defined for this instrument
Measurability	Medium	the tool defines only the outcome indicators
Dynamism	Medium	the tool could seek to follow the evolution and rapid changes based on the monitoring results over three fields
Reliability and accuracy	Medium	the important dimensions are defined but the model doesn't define the set of credible data
Simplicity	High	the methodology is sample
Timeliness	Medium	it has in part the ability to quickly provide some information requested

Table 4.7: Bagnoli & Megali model evaluation

The current tools: Performance summary

Finally we report the synthetic results of the analysis in Table 4.8, from which it is clear that these methods don’t respond completely to the characteristics defined previously of the PMS for SEs:

PMS	1	2	3	4	5	6	7	8
SROI	○	\	○	X	○	○	○	\
SEBSC	\	○	\	\	○	\	○	○
BSC Bull	\	\	\	\	○	X	\	X
BSC adapted	X	\	-	○	\	\	X	X
SIMMONS	X	\	-	○	\	\	X	X
SIMPLE	X	X	-	\	\	\	○	\
Bagnoli-Megali	\	\	-	\	\	\	X	\

1. Complete
 2. Selective
 3. Able to identify the spec responsibilities
 4. Measurable
 5. Dynamic
 6. Reliable and accurate
 7. Simple
 8. Timely
 ○ = Low
 \ = Medium
 X = High
 - = feature not defined for tool

Table 4.8: Limits of existing tools

In particular, these tools try to grasp either the multi-purpose or the multi-stakeholder nature of SEs. This is done in different ways, by introducing an ad-hoc section in dashboards and scorecards like at instruments: the BSC Model of Bull (2007), Social Enterprise Balanced Scorecard (SEBSC) proposed by Somers (2005), the BSC adapted by Kaplan (2001), or considering the stakeholder perspective as in the Simmons' model. Finally the model specific for the social impact assessment such as the "SIMPLE method". However, the most common limitations concern the ability to identify the specific responsibilities of different parts of the organization and to follow the dynamics of the organization.

Finally, the tools don't define a specific set of indicators and don't associate them to the different stakeholders. From our perspective, to overcome the limitations of the existing models, it is necessary to explicit consider the value added by SEs to the range of different stakeholders as well as the multiplicity of their objectives.

4.2 Relevant tools and frameworks developed for other sectors

Considering the limitations of the existing tools developed for SEs and considering that SE represents a hybrid form positioning itself somewhere in between the traditional non-profit and for-profit organizations (Alter, 2004), we considered three different streams of literature for the creation of a performance measurement system of ad hoc for the SEs. Each stream was relevant for a different scope:

- **the third sector literature on performance management**, from which we derived the idea of internal and external stakeholder involvement in performance management, the need to meet their information needs and priority and the tools to manage the process of involvement and information gathering
- **the public sector literature on performance measurement**, that moves from the three Es framework - i.e. **Economy, Efficiency and Effectiveness**, to more elaborated models that allow to consider the long term impact on the society (impact and outcomes)
- **the literature on sustainability reporting in the for profit sector**: from which we derived the need of standard indicators and protocols **to ensure the SEs accountability**

4.2.1 Third sector literature: the stakeholders perspective

The third sector literature was particularly useful to study the idea of internal and external stakeholder involvement and the need to meet their information needs and priorities. This is a key concern in third sector organizations where specific tools have already been developed to manage the process of involvement and information gathering.

Importance of stakeholders

The stakeholders represent the expected users of the performance measurement and reporting system. The modeling of their analysis is based on the stakeholder theory. The stakeholder theory (Freeman 1994, Friedman 2002, Donaldson 1995) stresses the importance to define the specific stakeholders and examine the conditions under which these parties should be treated as stakeholders.

Building on the concept of organizational wealth as both tangible and intangible (Sveiby, 2001), Preston and Donaldson (1999) argue that stakeholder management can enhance organizational wealth and that economic benefits can be generated by positive relationships between an organization and its stakeholders. It necessarily includes the determination and assessment of service value as perceived by stakeholders, including such elements as knowledge sharing, complementary resources, capabilities and collaborations.

Stakeholder management enables managers to ensure that the strategic and operational direction of an organization addresses stakeholder perceptions. However,

key stakeholders may also use various types of “influence strategies” whereby they make known the priorities organizations should be attending to in their decision-making (Frooman, 1999). Stakeholders are recognized as being of particular importance in public and non-profit organizations, which commonly have a more diverse group of stakeholders than private for-profit organizations making it more difficult to identify strategic issues (Bryson, 1995).

The need to meet the stakeholder information needs and their priority

Stakeholder theory has developed mainly in debates over corporate governance in the private sector as an alternative to traditional shareholder models, where there has been robust debate about its desirability and likely consequences (e.g. Hutton, 1997; Tricker, 2000). Stakeholder theory has three interrelated premises. First, organizations have a number of stakeholder groups that affect and are affected by them; second, the process and outcome of these interactions impact on specific stakeholders and the organization, and third, the perspectives of salient stakeholders have significance for organization strategy and operations.

Afterwards, these principles have been widely applied in the not for profit sector, where the idea of stakeholder involvement is less controversial and the practice more common, although not always discussed in terms of stakeholder theory.

In membership associations, such as co-operatives and mutual, there are constraints on the involvement of different stakeholders on boards, as board members are elected from the membership. The main functions of the board are to maintain good relations with key external stakeholders in order to ensure the flow of resources into and from the organization, and to help the organization respond to external change.

Board members may be elected because of their expertise in managing assets or because they represent stakeholders and, consequently, when assessing overall social responsibility, it is important to know which governance model is preferable – that of stewardship or democracy (Low, 2006; Cornforth, 2004).

In the same way, these regimes require that the SE foresees mechanisms that will be capable of accommodating a multi-stakeholder approach to managing an enterprise, as well as social reporting (Marano, 2006) and it's important to pay attention on the communicative processes implemented by the enterprise as a tool to reduce the inefficiencies that arise from asymmetric information between different subjects (Mook 2003).

However, a single hierarchy of measures cannot reflect the whole value system of the organization which combines the goals of all stakeholders. It is therefore necessary to develop a hierarchy of measurements for each group of stakeholders. Once developed, these hierarchies can be interlinked to form one comprehensive performance measurement system.

These measurement hierarchies are independent of the organization structure and represent logical chains of cause-and-effect relationships concentrating on business processes rather than functions (Feurer et al. 1995).

It looks beyond income to encompass ownership and includes the wealth created for a wider group of stakeholders (Richmond et al., 2003). There are three possible approaches, each of which responds to a different definition of internal and external resources:

- for the accountancy discipline and for professional accountants, value is added by using labor and capital: therefore, internal expenses are labor costs such as wages and employee-benefits, depreciation and investor-earnings, while external expenses are goods and services bought outside the company;
- for social accounting, internal expenses concern the economic flows destined to a wider group of stakeholders, namely human resources (both employees and collaborators), the community (income taxes) and investors (equity or debt) etc.;
- for mutuality such as cooperatives, internal expenses include all payments to the partners and the related network, in accordance with the international cooperative principles (International Co-operative Alliance, 1995).

The tools to manage the process of involvement and information gathering

Instrumental stakeholder theory holds that stakeholders and managers interact and the relationship is contingent upon the nature, quality and characteristics of their interaction (Donaldson and Preston 1995). This view implies a need for negotiation, and expected reactions ranging from stand-off to mutual adjustment depending on such intermediate variables such as trust and commitment, motivational forces (being harmonized or in conflict). Different appropriate strategies were formulated and enacted to maximize a stakeholder's positive influence and minimize any negative influence (Bengo et al., 2010).

Table 4.9 presents a synthesis of the most common methodologies developed by individuals, companies, universities and government bodies for stakeholder identification and management:

Methodology	Individual, Group or Organization	Comments
Stakeholder Identification and Management (without categorization)	(Elliot 2001), (Svendsen <i>et al.</i> 2004) (Thomsett 2002)	The methodologies are robust and can be effective in an environment that supports performance management and planning
Definition of categories of Stakeholders	(Savage <i>et al.</i> 1991) (Mitchell <i>et al.</i> 1997)	Four generic types – supportive, mixed blessing, no-supportive, marginal; Eight part stakeholder typology based on assessments of the strengths of three attributes, power, legitimacy and urgency
Comprehensive stakeholder identification, assessment and engagement	(Cleland 1999) (Briner <i>et al.</i> 1996)	Identify stakeholders and their interest, measure this interest, attempt to predict stakeholder’s future behavior and its impact on the project and project team. Focus on communication as important part of stakeholder management
Focus on enhancing economic value and organizational wealth as well as recording what stakeholders require from the project	(Fletcher <i>et al.</i> 2003) (Veil and Turner 2002)	A process for mapping stakeholder expectations based on value hierarchies and Key Performance Areas (KPA), An analysis of ways organizations can plan their stakeholder management strategies, rather than response strategies. A more holistic process of identification, assessment of awareness, support, influence, culminating in development of a stakeholder knowledge base
<i>Stakeholder Circle</i> ™ visualization tool and methodology	(Bourne and Walker 2005)	Continual process for identification, prioritization, engagement strategy for developing long-term relationships

Table 4.9: synthesis of methodologies for stakeholder identification and management, Bourne 2005

As follows, we analyzed more in depth two tools that appear particularly useful in relation to the research objectives - Fletcher et al. (2003) and Bourne and Walker (2005)

- **A process for mapping stakeholder expectations based on value hierarchies and Key Performance Areas (KPA):**

The first tool consists in the production of a stakeholder map, that is a visual representation of the position of all the internal and external stakeholders. When all stakeholders are placed in their respective areas, it is possible to determine both the role/s played by each member, understanding of the roles, perspectives, needs. Finally the tool reports stakeholder perceptions of the relative importance of the key performance areas (KPAs) of the value hierarchy and their constituent attributes.

Fletcher et al. (2003) define the different step to developed the Stakeholder Mapping:

- *Desk audit of the literature*
- *Workshops with board of management to determine context and discuss KPAs*
- *Stakeholder groups and members determined*
- *Draft hierarchy determined*
- *Interviews with stakeholders to refine hierarchy (face-to-face and telephone)*
- *Revision of hierarchy after feedback from stakeholders*
- *Final hierarchy*
- *Survey to all stakeholders*
- *Analysis of data and results.*
- **The Stakeholder Circle Methodology** (Bourne and Walker 2005):

This methodology was originally developed for supporting project management in relation to cooperation activities. However, it could be useful for the stakeholder involvement in the social enterprise.

The Stakeholder Circle methodology consists of three parts.

- The first step consists in the clustering of stakeholders in the categories. This exercise is conducted by workshops with individuals who are familiar with the constraints, and with the organization structure (and the organizational politics).
- The second step of the methodology consists in the prioritization of these stakeholders. The relative importance of Stakeholders is determined based on three key factors:
 - Proximity - are they closely associated or relatively remote from the enterprise?
 - Power - is their power to influence significant or relatively limited?
 - Urgency: are they prepared to go to any lengths to achieve their outcomes: when a relationship or claim is of a time-sensitive nature and what that relationship or claim is important or critical to the stakeholder

- The third step is centered on identifying, particularly for the top 15 stakeholders (previously prioritized), engagement approaches tailored to the expectations and needs of these individuals or groups.

4.2.2 Public sector literature: how to deal with heterogeneous outputs and outcomes?

Another stream of literature that is particularly important for our work is represented by the PMS models tailored to public administrations (PA). Similarly to SEs, PA performances are difficult to measure because their outputs are very heterogeneous and their outcomes can hardly be quantified (Marks, 2008).

Furthermore, they account to several stakeholders: the central government, other public administrations, citizens, governmental bodies, local institutions, however there has been no uniform approach to performance measurement and many models to assess the performance of government have been developed (Boland & Fowler, 2000). Originally, the PA performances were assessed through the so-called three Es framework:

1. (1) economy;
2. (2) efficiency; and
3. (3) effectiveness,

based upon a simple input, process and output model of organizations (Flynn, 1997; Rose, 1999; Carter et al., 1995). Input resources are generally thought of as physical, human (staff and clients/cases) and financial. Proponents of knowledge management and associated concepts such as "the learning organization" would also include "informational" in this list. Financial inputs are, perhaps, the most important as acquisition of other resource usually depends upon the funds available. Many measures commonly used in public sector organizations are based on derivatives of this "economy" or input oriented perspective, usually expressed in terms of cost, budget and staffing totals. Comparisons can then be made across similar types of organizations. Examples of generic measures used include cost per case, cost per service type, numbers and categories of staff involved. These can then translate into specific measures such as cost per patient, staff-student ratios, unit cost per refuse collection, numbers of employed ancillary, skilled and professional employees, and so on. Any change in these performance measures simply reflects the "economy" with which the organization is using its resources and provides little information about the operational processes within the organization, apart from some crude benchmarking.

Looking now towards the other end in the “three Es” spectrum are located the outputs from the organization. These can also be easily measured in quantifiable terms such as patients treated, crimes solved, students gaining various qualifications at different grades, children placed in foster care, and so on.

For example the Flynn's model is particularly concerned with responding to the needs of customers. In the case of public sector entities this is often seen to include the community, parliament and other key stakeholders (Flynn 1997).

The Strategic Management model is focused on aligning performance measurement with the objectives of an organization. The needs of customers form the basis of the organization's vision statement from which goals, strategies and performance measures are identified. In this model, performance measurement is seen as a crucial process that helps the organization focus on what each individual, team and work unit needs to contribute so the organization as a whole is successful. Once defined, the contribution of these units to reaching the set goals becomes the basis for assessing their performance.

Unfortunately, these tell us little about the real success, or otherwise, of the organization, and are mainly of use in the calculation of a ratio of input to output which is a measure of organizational efficiency. An increase in the number of outputs, for a given input, simply demonstrates how efficiently an organization is converting its inputs into outputs but provides very little information about the effectiveness or value of these outputs.

Finally, effectiveness is concerned with the extent to which outputs meet organizational needs and requirements and is therefore much more difficult to assess, let alone measure. Public sector organizations are created to meet some form of perceived societal need. The actual role (mission) of individual organizations and agencies in meeting this need, and the different requirements or perceptions of various stakeholders, in terms of the dimensions of the outputs encountered when attempting to meet this need, may also be unclear. In education, for example, students, employers, the academic community, and the Government all have different expectations and demands.

Hence it is necessary to define an additional term, namely “outcome”, defined here as the impact that outputs have in meeting this perceived need. This is generally thought

of in qualitative terms which implies that outcomes are difficult, in themselves, to measure. Furthermore, the process is also frequently complicated by the length of time it takes for such impacts to be identified. Finally, the impact of outcomes arising from the actions of other agencies, working in related policy areas, adds further complexity, e.g. welfare services and health.

To overcome these limitations, for example the model of Boland and Fowler (2000) adopts a systemic view of efficiency, effectiveness and economy performances and also locates the correlations between these dimensions in order to define an overall assessment of the economic performance of public administration.

Figure 4.7 is presented a systemic understanding of the terms efficiency, effectiveness and related terms:

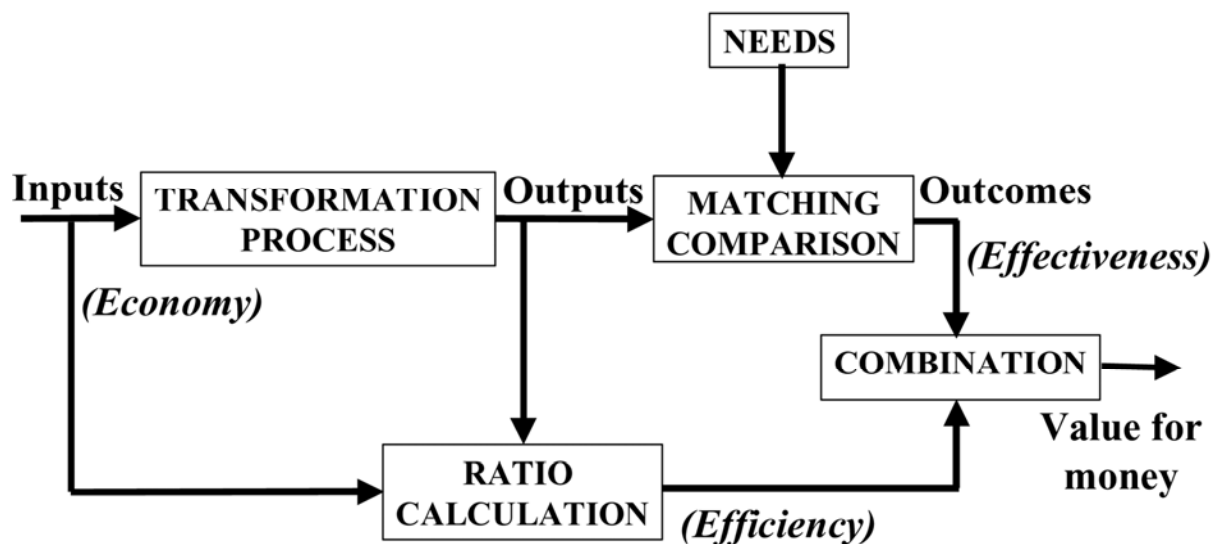


Figure 4.7: Relationships between alternative performance measures Boland and Fowler (2000)

Hence “economy” is seen to be associated purely with the measurement and regulation of inputs, while the definition of “efficiency” follows the universally accepted convention of ratio between outputs and inputs. However, if this definition is interpreted literally, difficulty can arise in management systems when attempting to establish a common set of units which can then be used for both input and output measurement, a fundamental requirement when seeking a meaningful performance

metric. In practice, the measurement process itself may also prove difficult, especially on the output side. In fact, considerable disagreement often arises with respect to the issue of what should be measured, even before considering the issue of how it should be done. The definition of effectiveness is even more problematic. At one level effectiveness is primarily concerned with outputs from the system but, use of the term "outcomes" may be preferred to denote the essentially intangible, multidimensional attributes which are of real concern, relative to stakeholder needs in the public sector. In Figure 4.7, this notion is depicted using the "matching comparison" block to assess outcomes relative to needs.

Other authors have proposed solutions to the limitations of 3 Es framework. Hence, it was complemented by the introduction of further performance dimensions that tackle fairness and outcome (Perrin, 1998; Smith, 1995; Heinrich, 2002; Azzone, 2008).

Start from these critical aspects, Azzone (2008) develops a more analytical approach to analyze the PA performance based on five key dimensions:

- efficiency
- effectiveness
- fairness
- impact
- state of resources

First, the model identifies the output amount that is delivered by public administration in relation to the resources employed and this ratio is called **efficiency**. The performance indicators serve to measure the services provided efficiency understood as the ratio between the output (services) and the input (resources). Second, due to the heterogeneous nature of the outputs produced by public administration, it's important to identify, in addition to the output quantity, also its features and their correspondence with the user's needs. This second performance dimension is **effectiveness**. Third, public administration should ensure that all citizens and users receive the same level of services with the same accessibility – i.e. "**fairness**", normally the fairness is measured in two areas:

- access and use of services, it's necessary to ensure the access for disadvantaged

- administration internal processes regarding the recruitment and career paths

These three performance dimensions - efficiency, effectiveness and equity - provide complete information for the Public Administration with reference to the short term (Azzone, 2008). Then, the model introduces two further indicators that are focused on inputs and outputs from a long term perspective.

Regarding the output is also important to consider the actions **impact** of the PA in the medium term (outcome). This impact is very difficult to measure, it is important to emphasize that the impact is strongly influenced by exogenous factors and there is a lag between the administrative action and the ability to measure the outcomes generated.

Concerning inputs, in order to avoid opportunistic behaviors that tend to maximize efficiency only, indicators concerning resources should be monitored (for example staff training, maintenance of buildings and plants and the computerization processes). These elements can be grouped under the name "the state of resources" and are characterized by a more focused view in the long term. The Azzone' model (2008) developed for the Public Administration is presented in figure 4.8:

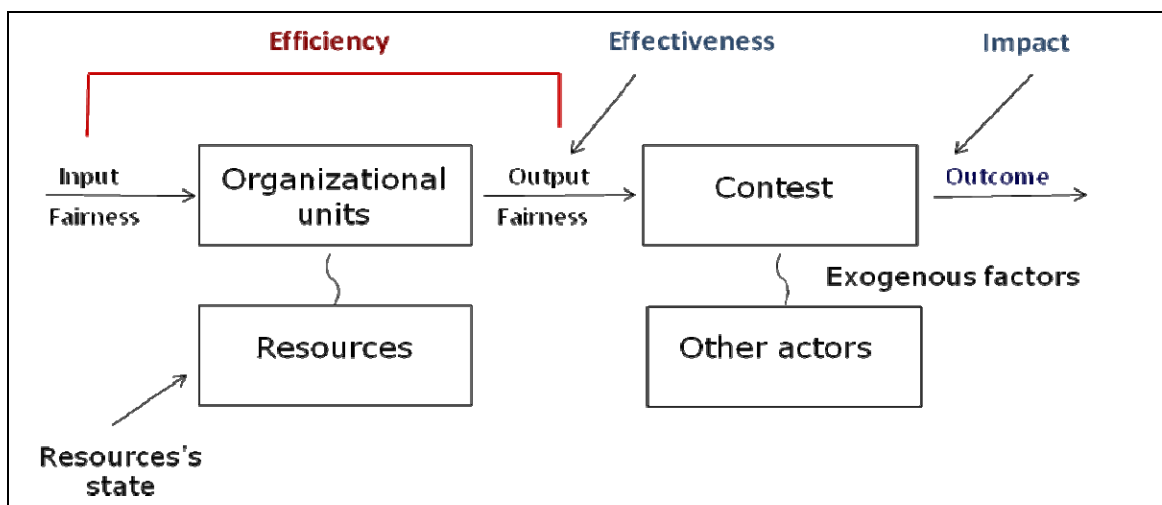


Figure 4.8: Performance measurement system for Public Administration (Azzone 2008)

4.2.3 The profit sector literature: the standardization of Key sustainability indicators

Finally, we exploited for profit literature about sustainability reporting to highlight the relevance of developing standard indicators and protocols to ensure the SEs accountability, e.g. the international standards such as the Global Reporting Initiative

(GRI, 2006) and the sets of key sustainability indicators to measure and guidelines for the reporting process and the principles that should inspire social information.

In general if the company has decided to pursue a sustainability-based strategy, the definition of an appropriate system of indicators is useful to help managers to understand the achievement of the objectives and implement corrective actions if needed. Furthermore, the definition of a proper set of indicators is essential to communicate company's performances to external stakeholders. Sustainability reporting, also referred to as environmental reporting or social reporting, is one of the main tools through which companies can implement proactive sustainability strategies (i.e. achieving a higher market share or obtaining a premium price thank to more sustainable products and services).

In order to measure sustainability, companies should answer two fundamental questions: (i) what sustainability performance indicators should be measured and (ii) how information should be collected and reported. References dealing with sustainability indicators are classified (Table 4.10) according to the type of measure they propose, distinguishing between (i) qualitative indicators, (ii) quantitative non-financial indicators and (iii) quantitative financial indicators (Azzone et al. 1996).

References dealing with data collection and reporting are classified taking into account the specific issue they tackle, to this regard requirements with which a sustainability report should comply and structure of the reporting process are considered. At this level, the various dimensions (i.e. environmental, social and economic) of sustainability are not defined, since they are not clearly stated in these kinds of reports (Arena et al. 2009).

References	Indicators to be measured			How information should be collected and disclose	
	Qualitative	Quantitative non financial	Quantitative financial	Reporting process	Indicators requirement
ACBE (1997)	■		■	■	■
AccountAbility (2008a)					■
AccountAbility (2008b)					■
Amstrong and Kerr (2004)	■	■	■	■	■
Ashby, M.,(2009)	■	■	■	■	■
Atkisson and Hatcher (2001)				■	■
Ayres <i>et al.</i> (1998)				■	
Azapagic (2004)	■	■	■		
Azzone <i>et al.</i> (1996)	■	■	■		
Azzone <i>et al.</i> (1997)				■	
Ball <i>et al.</i> (2006)	■	■			
Barreto <i>et al.</i> (2007)		■		■	■
BLIHR (2007)				■	
Borga <i>et al.</i> (2009)	■	■	■		
Carlson and Rafinejad (2008)	■	■	■		■

Castro and Chousa (2006)			■	■	
CCOHS (2009)				■	■
CEFIC (2006)		■	■	■	
Chertow (2000)		■	■		■
Dahmus and Gutowski (2007)		■		■	
Dahmus and Gutowski (2008)	■	■	■	■	
DEFRA (2006)	■	■	■	■	■
Deloitte Touche Tohmatsu (2006)				■	■
DeSimone and Popoff (2000)	■	■	■	■	■
Dias-Sardinha and Reijnders (2001)	■	■		■	
Dias-Sardinha <i>et al.</i> (2002)				■	
EC Regulation (2006)	■	■	■	■	■
Eckel and Fisher (1992)				■	■
EMAS (2008)	■	■	■	■	■
Environment Australia (2000)	■	■	■	■	■
EPA (2006)	■	■		■	■
Erickson and Gowdy (2007)	■	■	■	■	■
Esty <i>et al.</i> (2008)	■	■		■	■
EU Directive (2000)	■	■	■	■	■
EU Directive (2002a)		■	■	■	■
EU Directive (2002b)	■		■	■	■
EU Directive (2005)	■	■	■	■	■
Facility Reporting Project (2005)	■	■	■	■	■
FEEM (1995)	■	■	■	■	■
GEMI (1994)				■	■
GEMI (1998)				■	
Glavič and Lukman (2007)	■	■			■
Goedkoop and Spriensma (1999)	■	■		■	■
Graedel and Allenby (2003)	■	■	■	■	■
GRI (2002)	■	■	■	■	■
GRI (2006)	■	■	■	■	■
Gutowski <i>et al.</i> (2005)	■	■		■	■
Gutowski <i>et al.</i> (2009)		■		■	■
Hauser and Lund (2008)	■	■	■	■	■
Hawken 1995	■			■	
Hendrickson <i>et al.</i> (2006)	■	■		■	■
Hubbard (2006)		■	■	■	
Hunkeler and Rebitzer (2005)	■	■		■	■
Hussey <i>et al.</i> (2001)					■
INEM (2003)				■	■
International Atomic Energy Agency (2002)	■	■			
International Atomic Energy Agency (2005)	■	■		■	
IISD (2005a)				■	
IISD (2005b)				■	
IPCC (2007)	■	■	■	■	■
ISO 14001 (2004)	■	■		■	■
Jeswiet and Hauschild (2008)	■	■	■	■	■
Johnston and Smith (2001)					■
Jørgensen <i>et al.</i> (2008)	■	■		■	■
Jovane <i>et al.</i> 2008	■	■	■	■	■
Kloepffer (2008)	■	■	■	■	■
Knopf <i>et al.</i> (2007)	■	■		■	
Kolk (1998)					■
Kolk (2003)					■
Kolk (2004)					■
Kolk <i>et al.</i> (2008)					■
Llena <i>et al.</i> (2007)				■	
Martel <i>et al.</i> (2003)	■	■	■	■	■

Morhardt <i>et al.</i> (2002)					■
O'Dwyer and Owen (2005)					■
OECD (2000)					■
Olsthoorn <i>et al.</i> (2001)		■	■	■	
Owen (2006)					■
Pacala <i>et al.</i> (2004)		■		■	■
Patlitzianas <i>et al.</i> (2008)	■	■	■	■	■
Perrini and Tencati (2006)				■	■
Ramos and Melo (2005)				■	
Ramos and Melo (2006)		■			
Rebitzer <i>et al.</i> 2004	■	■		■	■
Robèrt <i>et al.</i> (2002)	■	■	■	■	■
Rusinko (2007)	■	■	■	■	■
SA 8000 (2008)	■	■	■	■	■
Searcy <i>et al.</i> (2005)				■	
Searcy <i>et al.</i> (2008)				■	
Seliger <i>et al.</i> (2008)	■	■	■	■	■
SIGMA Project (2003a)		■	■	■	
SIGMA Project (2003b)				■	■
SIGMA Project (2003c)				■	
SIGMA Project (2003d)				■	
SIGMA Project (2003g)				■	■
SIGMA Project (2003i)				■	
Singh <i>et al.</i> (2009)			■	■	■
SIRAN (2004)				■	■
Skillius and Wennberg (1998)					■
Smil (2008)		■	■	■	■
Socolow <i>et al.</i> (2004)		■	■	■	
Swiss Federal Statistical Office (2004)		■			
Tyteca <i>et al.</i> (1996)	■	■			
Tyteca <i>et al.</i> (2002)	■	■	■	■	
UNCTAD (1999)			■	■	■
UNCTAD (2004)		■	■	■	■
UNEP (2007)	■	■	■	■	■
UNEP-WCMC (2004)		■	■	■	
Veleva and Ellenbecker (2001)	■	■	■	■	
Wackernagel <i>et al.</i> (2002)	■	■		■	
Waggoner and Ausubel (2002)		■		■	■
WBCSD (2000)	■	■	■	■	■
Weinhofer and Hoffmann (2008)		■		■	
Wells <i>et al.</i> (1992)				■	
Xie and Hayase (2007)				■	
Yongvanich and Guthrie (2006)				■	

Table 4.10 –Indicators of a sustainability-based strategy (Arena *et al.*, 2009)

Table x shows that several researchers, practitioners and international organizations have sought to promote the diffusion of sustainability assessing at different levels. Many authors have suggested the indicators to measure and the sets of indicators proposed are widely diversified, with a growing focus on quantitative non financial measures.

Also the reporting process and the quality requirements for such indicators have been discussed by a number of authors (e.g. Valeva & Ellenbecker, 2001; Adams, 2004; ACCA, 2004; Azzone *et al.*, 1996)

5. The proposed approach

In this section, we proposed an approach to guide the development of a performance measurement system (PMS) for SEs. The approach is based on the SE features defined in the chapter one, the PMS characteristics defined in the chapter three and the results of the literature analysis presented in the chapter four.

As follows, we first defined the overall model – i.e. the performance dimensions that should constitute the framework for measuring performances in a SE -, second, we defined the steps that should be followed to enact the framework and develop a PMS.

5.1 *Defining the framework: SE Performance dimensions*

First, we defined SE performance dimensions. To achieve this objective, we moved from the so-called “three Es framework” (Boland & Fowler 2000):

- (1) economy;
- (2) efficiency; and
- (3) effectiveness,

based upon an input, process and output model (Flynn, 1997; Rose, 1999; Carter et al., 1995), where:

- Inputs consist in the set of resources used for the production of goods and services (e.g. financial resources, human resources, equipment...);
- Outputs are the direct products of any activity, including realized manufactured goods and services (e.g. the number of people trained for a training institution);
- Outcomes consist in the changes that occur over time following an intervention (e.g. the number of people employed after one year from the end of the training initiative).

The “three Es framework” was adapted based on the Azzone’s model (2008) that develops a more analytical approach to analyze the PA performance considering five key dimensions:

- efficiency
- effectiveness
- fairness
- impact
- state of resources

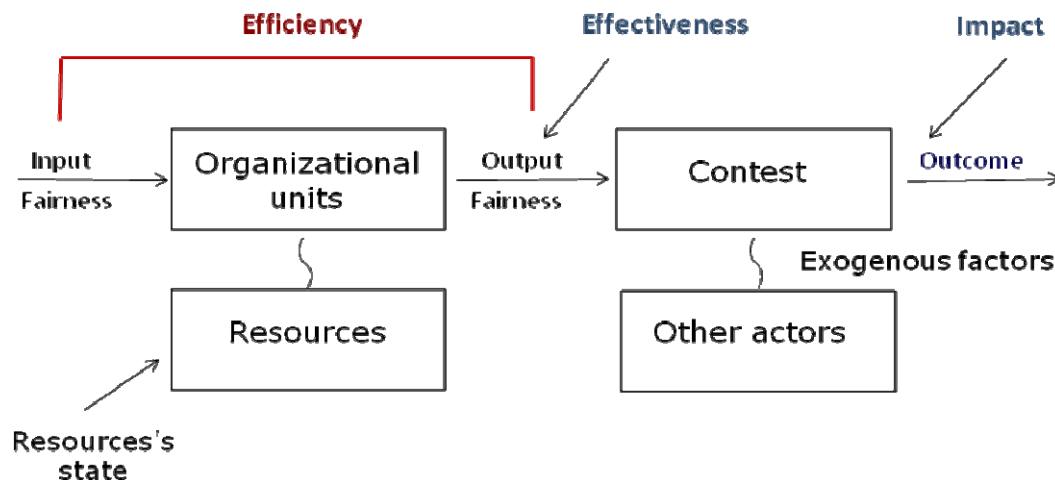


Fig. 5.1: Azzone's model (2008)

To adapt this model to SEs characteristics, the following changes were implemented:

- we modified the effectiveness dimension distinguishing between **Managerial effectiveness** and **Social effectiveness**,
- we defined three new dimension of consistency: **value of resources**, **value of products**, **value results**, and considering the importance for the SEs of the coherence between social mission and results (Bagnoli 2011),
- we added the **financial sustainability** dimension to underline the entrepreneurial nature of SE and finally we consider also the stakeholder perspective for each stage.

The model proposed is shown in the Figure 5.2:

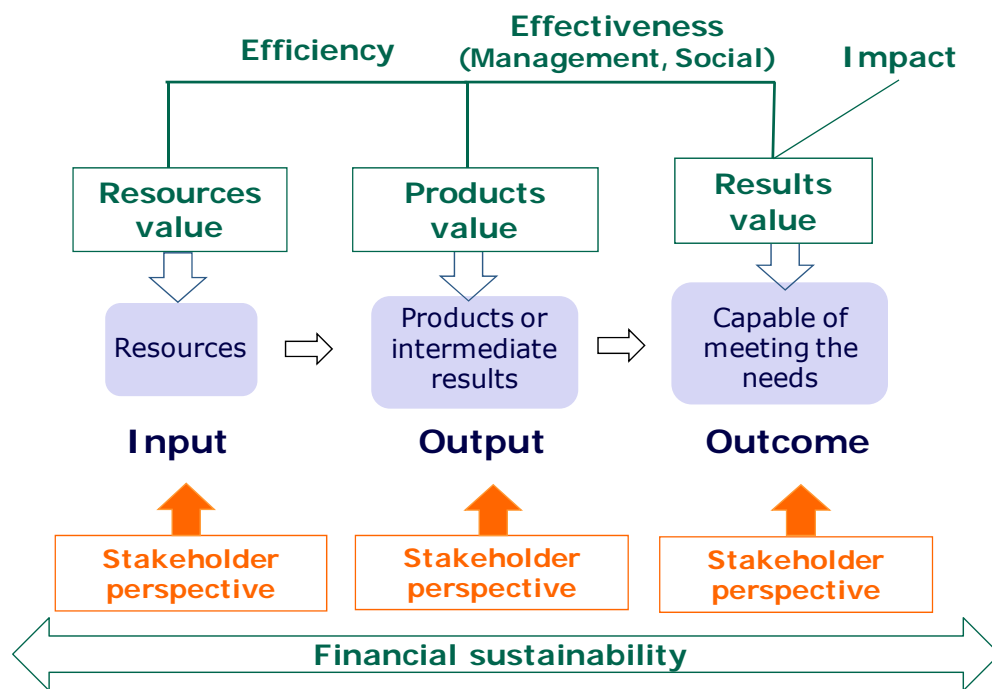


Fig. 5.2: The model proposed

As follows, we describe in detail the performance dimensions created ad hoc for social enterprises and identified by the model.

The first performance dimension derived from the above framework is **efficiency** (Boland & Fowler, 2000; Azzone, 2008) generally measured in terms of inputs required to generate a given output. Since SEs have to compete in the marketplace, like profit organizations, they have to pay attention to their ability to maximize the ratio outputs / inputs, to ensure their economic sustainability.

The second performance dimension is **effectiveness**, that deals with the characteristics of the output produced (quality, social value...) in relation to stakeholders' expectations (Azzone 2008). When dealing with SEs, we can distinguish two different types of effectiveness: management effectiveness and social effectiveness. **Management effectiveness** concerns the extent to which the SE achieves the managerial objectives defined in its strategic plan (Richard & Johnson, 2001). **Social effectiveness**, instead, concerns the relationship between the SE and the external environment, and measures the organization's ability to meet the needs of its target community through the production of goods and services (Bagnoli & Megali, 2011; Ferris et al., 2002). Given the peculiar characteristics of SEs and the

relevance of social effectiveness in relation to their objectives, this concept can be further specified into three sub-dimensions:

- **Fairness**, i.e. the ability to ensure access to products and services to vulnerable, disabled, elderly people etc. (Perrin, 1998; Smith, 1995; Heinrich, 2002; Azzone, 2008)
- **Involvement**, i.e. the ability to ensure the participation of the relevant stakeholders in the decision-making process;
- **Communication and transparency**, i.e. the ability to inform the stakeholders about SE activities;

The third performance dimension consists in **impact**, i.e. the measurement of long term effects of SE activities on the community. Impacts deal with the benefits or changes that happen in the community served by the SE, in term of their knowledge, skills, status, life conditions, values (Azzone 2008, McLoughlin et al., 2009)

Finally, the last performance dimension relates to the **consistency** of the activities performed by the SE with its mission (see also Bagnoli & Megali, 2011). SE mission is not strictly defined by the law or normative requirements, as it happens in other cases. Therefore, different SEs can have a different interpretation and implementation of their mission, depending on different factors such as the maturity of the organization, human and financial resources and different stakeholders needs. Hence, we include **consistency** as a further performance dimension. In particular, we consider crucial that resources employed (input), products produced (output) and results achieved (outcome) are consistent with the social values of the organization, leading to the formulation of three consistency variables:

- **Value of resources**, i.e. the resources used to produce goods or services have to be consistent with the social value to be reached;
- **Value of products**, i.e. the output produced have to be coherent with the social value expected from the SE;
- **Value results**, i.e. the final impact of the product or service produced has to meet the needs for which the SE works.

Financial sustainability: the financial sustainability is also a very important dimension of performance for social enterprises today, in fact, it is necessary for their livelihood. Social enterprises are first, companies that aim to provide social services, a task that can accomplish only if they can be financially efficient and if they

take a careful policy of containment costs, so must be received at the financial viability to operate.

5.2 Development of the approach

After defining the overall framework, we describe the steps that should be followed in order to design the specific PMS for each social enterprise. In particular, we defined a three step process, consisting in:

- a) The stakeholder analysis, aimed to identify the key stakeholder,
- b) The identification of the information needs for each stakeholder and the key features of internal and external processes of the SE, aimed to associate to each stakeholder the performance dimensions most coherent with their information needs,
- c) The construction of the PMS defining a set of indicators coherent with the specific context in which the SE competes.

5.2.1 The stakeholder analysis

At the basis of the construction of the PMS for a SE, there is the need to consider the roles and relationships of different stakeholders involved and the different organizational objectives of the SEs. The aim of the first step was to identify the relevant stakeholders and their priorities based on the nature of their relationship with the SE. As previously discussed, SEs are characterized by a constant involvement of internal and external subjects in their strategic choices, actually leading to the need of configuring the performance management as a "negotiated outcome" (Gray et al., 1995; Haberberg & Rieple, 2001). This specific feature raises the vital issue of understanding who are the stakeholders of the SE and how to achieve stakeholders' consensus on the key performances of the SE – i.e. which are the performances that truly represent the views and the priorities of different stakeholder groups.

The Stakeholder theory declares that the organizations have a number of stakeholder groups that affect and are affected by them; second, the process and outcome of these interactions impact on specific stakeholders and the organization, and finally,

the perspectives of salient stakeholders have significance for organization strategy and operations. It necessarily includes the determination and assessment of service value as perceived by stakeholders, including such elements as knowledge sharing, complementary resources, capabilities and collaborations. Our approach suggests to identify all the stakeholders that are relevant for the SE, considering that, contrary to traditional models that focus on groups of investors, the proposed approach considers the whole community and all the actors connected to the SE.

We defined the relevant stakeholder following the tool proposed by Fletcher et al. (2003), this tool consists in the production of a stakeholder map, that is a visual representation of the position of all the internal and external stakeholders.

We present an example of stakeholder map, defined for one of the cases (Olinda) that will be analyzed in the final chapter to validate the our approach (see chapter 7 for the complete case analysis):

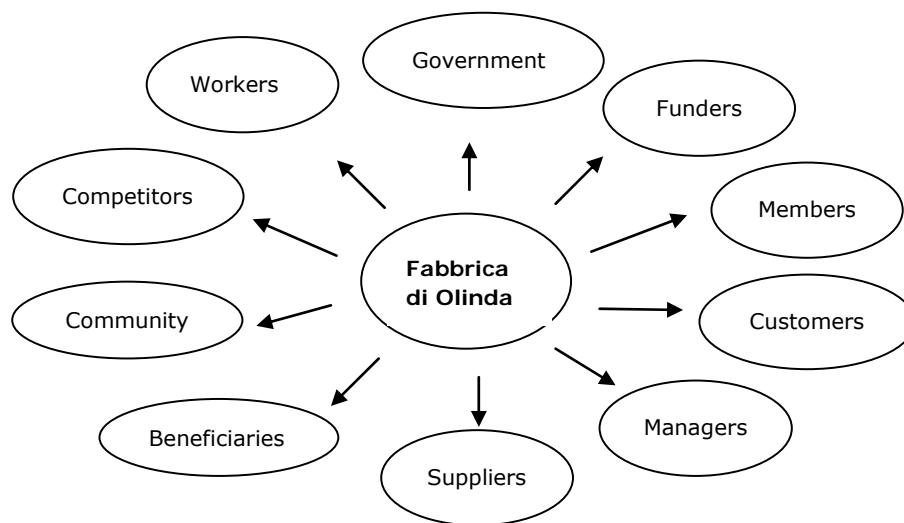


Figure 5.3: Stakeholders map of Olinda' case

The second tool that we have identified in the literature analysis is the "The Stakeholder Circle methodology" by Bourne and Walker, 2005.

The tool consists in the clustering of stakeholders in the categories. This exercise in general is conducted by discussions and interview with individuals who are familiar with the constraints, and with the organization structure.

To provide a concrete example of the output of this step, we present the results of discussion with the Olinda's Vice – President (Par. 7.4.2):

STAKEHOLDER CATEGORY	SPECIFIC STAKEHOLDER
INTERNAL STAKEHOLDERS	
Managers	Assembly members
	Board of Director
	President and vice-president
	Referents for sector
Workers	Workers member
	Voluntary member Employees
	Disadvantaged workers member
	Workers
Partners	Other associations
EXTERNAL STAKEHOLDERS	
Funders	Credit institutions
Customers	Private citizens
Suppliers	Suppliers of food and beverages
	Cleaning material suppliers
Beneficiaries	Local community
	Disadvantaged workers
Community	Local residents of Comasina
Environment	Environment
Government - public	Municipality of Milan
	Province of Milan
	Health agency
	Other social services
Competitors	Other food service at Comasina area
	Hostels at Milan

Table 5.1: Specific stakeholders chart of Olinda' case

The stakeholder are clustered in the different categories, and we defined in details the specific actors for each categories.

5.2.2 The association to each stakeholder the performance dimensions

This step aims to identify the information needs for each stakeholders and associate them the performance dimensions that are more relevant.

Indeed, a single hierarchy of measures cannot reflect the whole value system of the organization which combines the goals of all stakeholders. It is therefore necessary to develop a hierarchy of measurements for each group of stakeholders. Once developed, these hierarchies can be interlinked to form one comprehensive PMS.

We defined the procedure to identify these information needs, adapting the process proposed by Fletcher et al. (2003): This procedure resulted in seven subsequent stages, that are described as follows.

1. Preparation:

Identify the process and activity for each SE based on the available documents and internal records and presentations such as programs, plans, budgets and company's accounts.

2. First Interviews:

Process facilitation: interviews to firm's BoD and ask them to identify the company's strategic objectives.

3. Second Interviews:

Interviews to BoD to identify their information needs and the information needs of other internal and external stakeholder.

4. Third Interviews:

Interviews to internal stakeholder to verify their information needs.

5. Fourth Interviews :

Where available, interviews to external key stakeholder to verify their information needs.

6. Association:

Association to each stakeholder category the information needs.

7. Collection of the feedbacks by president or vice president.

The result of this process is shown in the table, where we present the information needs of the Efrem's stakeholder, (for the full description of the case see paragraph 7.6):

	Specific stakeholders	Information needs
Internal	President, General Assembly, Italian employees; African employees; Italian and local volunteers	Financial information (financial solidity, costs), Funding composition, Productivity, Beneficiaries' satisfaction, Service quality, Service accessibility, Community involvement, Transparency and communication with partners, Improvements of life conditions in the local community,
Beneficiaries	Local electricians, local associations,	Service quality, Service accessibility, Employment prospective, Kit cost, Product quality
Funders	Italian bishops' conference, Private citizens; Private foundations; Public agencies	Financial information (revenues, costs), Productivity, Service quality, Funding composition, Funding collected, Improvements of life conditions in the local community, Project completion, Level of activity, Service accessibility, Governance model
Suppliers	Sellers of solar panels	Selling price of PV panels, Level of activity, Communication initiatives, Diffusion of PV panels
Costumers	Local electricians; Local dioceses, Private citizens	Kit cost, Product quality
Environment		Environmental Impact
Local Community	Local community	Service quality, Service accessibility, Improvements of life conditions in the local

Table 5.2: The stakeholders information needs of Efrem' case

The second step provide to associate to each stakeholder the performance dimensions most coherent with their information needs. The Efrem's result is shown in the Table 5.3:

	Specific stakeholders	Dimensions
Internal	President, General Assembly, Italian employees; African employees; Italian and local volunteers	Financial sustainability; efficiency; Management effectiveness, Social effectiveness (fairness and inclusion); Impact; Value of resources Value of products, Value of resources
Beneficiaries	Local electricians, local associations,	Management effectiveness; Social effectiveness Impact
Funders	Italian bishops' conference, Private citizens; Private foundations; Public agencies	Financial sustainability; Efficiency; Management effectiveness; Value of resources; Impact
Suppliers	Sellers of solar panels	Financial sustainability

Costumers	Local electricians; Local dioceses, Private citizens	Management effectiveness; Fairness
Environment		Impact
Local Community	Local community	Management effectiveness, Social effectiveness Impact

Table 5.3: Performance dimensions for each stakeholder of Efrem' case

5.2.3 The construction of the PMS.

The last step consists in the identification of the set of indicators coherent with the specific context in which the SE competes.

The selection of the indicators moves from standard sets of indicators, that are provided by the literature on sustainability reporting (GRI, 2006) and other social information (Par 4.2.3)

The choice of the indicators from these lists should be guided by the priorities of each stakeholder and the indicators should be tailored to the specific features of each SE, in order to effectively capture its key performances. From this standpoint, available frameworks represent mainly a guideline for the choice of the indicators.

It is also worthy of mention that the system is dynamic and changes according to the characteristics of the context in which each SE is active. Henceforth, the range of stakeholders and the chosen indicators vary depending on the SE core objectives. We used both quantitative and qualitative indicators, some indicators were be the same proposed by these protocols, others were be defined ad hoc for each case.

In the table we present the PMS developed for the "CEDIS" case (par 7.6):

PMS: set of indicators			
1. Financial sustainability		2. Efficiency	
1.1	Total Revenue	2.1	Total energy costs/total Kwh sold
1.2	Net Income	2.2	Total cost telecom sector/ users connected
1.3	ROE	2.3	Cost of maintenance facilities
1.4	ROI	2.4	Hydroelectric turbines efficiency
1.5	Leverage	2.5	Solar panels efficiency
1.6	Cost of capital	3. Management effectiveness	
1.7	(Turnover 2010 – Turnover 2009) / Turnover 2009	3.1	Total number and employee turnover rate
1.8	EBIT	3.2	N. of complaints
1.9	Current ratio	3.3	Mean time between service request and technical

			output
1.10	Operating working capital	3.4	N. of interruption services
1.11	Equity / turnover	3.5	N. signaling malfunction
1.12	Social capital increase	3.6	N. Members / N. local families
4. Social effectiveness		3.7	Frequency of new users connections
Involvement		3.8	Estimated operating costs /actual operating costs
4.1	% participation assembly member	3.9	Estimated period costs /actual period costs
4.2	% increase in social base than the previous year	3.10	Variation members number
4.3	N. of board of directors meetings	3.11	% reduction of customer credit
4.4	N. of initiatives for the local community	5. Social impact	
4.5	N. of workers meetings	5.1	% Employees / Local Population
Communication Transparency		5.2	C02 saved per year
4.6	N. of requests for bills clarification	5.3	Local suppliers / providers total
4.7	N. of public and immediately available documents	5.4	N. families connected to Internet / N. local families
4.8	N. of reminders for documentation	5.5	Contributions to local associations / Net Income
4.9	N. of information requests	6. Value of resources	
Fairness		6.1	Actual cost of raw materials
4.10	Governance composition : gender, age group, minority	6.2	Actual cost of infrastructure
4.11	N. of employees, divided by typology, contract...	6.3	Direct labor costs
4.12	N. of new connections in areas not easily accessible	6.4	% Local workforce
7. Value of products		6.5	Funding composition
7.1	Total kWh produced per year from hydro	6.6	% Investment in social services
7.2	Total kWh produced per year from PV	8. Value of results	
7.3	Km LAN	8.1	Spared barrels oil per year
7.4	% Annual increase of adherents ICT services	8.2	% discount of Membership bills
7.5	% satisfied requests of members (ICT sector)	8.3	Increase n. of members connected to LAN
7.6	% satisfied requests of members (energy sector)		

Table 5.4: PMS of Cedis

The approach also includes to validate the PMS with the BoD and collect the useful feedback to complement them.

Finally it's possible to control the PMS capacity to collect the different information needs associating to each stakeholder their set of indicators, to define the specific dashboards. The methodology ensure the completeness of PMS.

In Table 5.5, we present the dashboards for the CEDIS's Stakeholder (the numbers are related to the indicator defined in the previous table):

STAKEHOLDERS	PERFORMANCES DIMENSIONS									
	Financial sust.	Efficiency	Management effectiveness	Social effectiveness			Impact	Consistency		
				Involvement	Communication transparency	Fairness		Value of resources	Value of products	Value of results
INDICATORS										
Manager	1.1-1.12	2.1;2.2;2.3	3.1-3.11	4.1-4.5	4.6-4.9	4.10-4.12	5.1-5.5	6.1-6.6	7.1-7.6	8.1-8.3
Members	1.1;1.2;1.5;1.9;1.11;1.12		3.3;3.3;3.4;3.5;3.6	4.1;4.2;4.4	4.7;4.8	4.12	5.4		7.5;7.6	
Funders	1.1-1.11			4.4	4.6-4.9	4.12	5.4; 5.5			
Suppliers	1.1-1.11			4.1;4.3;4.5	4.6;4.7	4.10;4.12		6.1:6.2	7.1-7.6	8.2;8.3
Public entities				4.1;4.2;4.4	4.7;4.8	4.12			7.1-7.6	
Local community	1.1;1.2;1.5;1.9;1.11;1.12						5.1-5.5		7.1-7.6	
Environmental							5.3		7.2;7.3	
Other cooperatives	1.1-1.7;1.12						5.1;5.3;5.4;5.5			8.2;8.3

Table 5.5: Indicators list for each stakeholder

III. APPROACH VALIDATION

6. The conceptual validation

This chapter presents the theoretical validation of the model proposed in chapter 5. Firstly, we have proceeded to clarify the objectives of this theoretical validation and the methodology adopted which consists in discussing the model with two panels of experts. Secondly we have presented the results that emerged from the interviews.

6.1 *Objectives and methodologies*

The conceptual validation phase had two objectives:

- Testing the model compliance, from a theoretical point of view, to meet the PMS requirements for SEs in terms of:
 1. Completeness
 2. Selectivity
 3. Ability to identify the specific Responsibilities
 4. Measurability
 5. Reliability and accuracy
 6. Dynamism
 7. Simplicity
 8. Timeliness
- Testing the model capacity to meet the information needs of potential users (banks, Social Enterprise Networks, associations), through the measuring units defined:
 - a) Financial sustainability
 - b) Efficiency
 - c) Management effectiveness
 - d) Social effectiveness
 - Involvement
 - Communication, transparency

- Fairness
- 5. Impact
- 6. Consistency
- Value of resources
- Value of products
- Value results

To achieve those objectives we have interviewed two panels of experts:

- The first panel is composed by experts of the field coming from the academic world and in particular from the EMES (European research network on Social Enterprise);
- The second panel is composed by practitioners, potential users of the model proposed, selected upon their previous experience on performance measuring.

6.1.1 Panels selection

To verify the model compliance from a theoretical point of view to meet the PMS requirements, we have selected experts from the academic world coming from the main European research centers on social entrepreneurship. The experts have specific sets of complementary competencies (economics, social economy, management, sociology, cooperatives and social enterprise).

To test the ability of the model to meet the information needs of different stakeholder groups were selected some potential users representative of different areas, and therefore different information needs. In particular we have interviewed:

- Two international banking groups that have developed specific products for SEs
- One of the main national SEs network
- One financing body dedicated to network financing
- One association that have developed a national observatory on social enterprises

The selection of these different user categories have allowed us to have a clear perspective on the information needs from a practical point of view outside the model.

The chart below reports the list of experts interviewed and their research fields:

PANEL 1: Field experts	
1- Expert	
Research Center	EURICSE: European Research Institute on Cooperative and Social Enterprises University of Trento, Italy
Contact role	President
Research field	The economic role of social enterprises and non-profit organizations
2 - Expert	
Research Center	CIES: Centro de Investigación de Economía y Sociedad Barcelona, Spain
Contact role	President
Research field	Policies for employment and job creation and theory of Economics for the third Sector
3 - Expert	
Research Center	CES: Centre d'Economie Sociale University of Liège, Belgium
Contact role	Director
Research field	Economics analysis of co-operatives and associations, work-integration social enterprises
4 - Expert	
Research Center	CSE: Centre for Social Entrepreneurship, Roskilde University
Contact role	Director
Research field	Analysis and communication knowledge about social and organisational designs

Table 6.1: List of experts interviewed

In the following chart we report the description of the potential users interviewed, defining their organization or company, the specific organizational division or unit and their role within. Moreover we have reported the specific objective for every single interview that has guided the choice of user to consider:

PANEL 2: POTENTIAL USERS	
1- Potential User	
Company/Organization	UniCredit Group
Division/Unit	Retail Italy Network Division – Universo Non profit
Stakeholder type	Bank
Contact role	Sales Manager for Progetto Non Profit

Interview objective	Identify the set of information that banks require from social enterprises asking for financing; Rating system analysis for SEs
2- Potential User	
Company/Organization	CGM Consorzio Nazionale Gino Mattarelli
Stakeholder type	National Social Enterprise network
Contact role	Training manager, Knowledge Manager e internal communication
Interview objective	Identify the operative and measurement dynamics involved in a national network: performance measurement system analysis
3- Potential User	
Company/Organization	CGM Finance società cooperativa sociale
Stakeholder type	Financing body
Contact role	Board Member
Interview objective	Identify the evaluation practices which strengthen trust from financing bodies
4- Potential User	
Company/Organization	Intesa San Paolo
Division/Unit	Banca prossima
Stakeholder type	Bank
Contact role	Social Project Manager
Interview objective	Analyze the dimensions set out by the bank within the rating system specifically created for Social Enterprise and Non profit organizations
5- Potential User	
Company/Organization	Make a Change
Division/Unit	Observatory on SEs
Stakeholder type	Non profit organization
Contact role	Employee, contact reference for the Observatory
Interview objective	Analyze the relevant dimensions to evaluate SEs best practices

Table 6.2: List of potential users interviewed

6.1.2 Analysis and data gathering

We discussed below the data gathering and analysis processes.

The model discussion with panel 1 have taken place on several occasions, like summer schools, international seminars and scientific colloquiums

Over these occasions the model have been formally presented to the experts; they have been asked to discuss strengths and weaknesses in respect of the theoretical requirements defined for a SEs PMS. We have run mostly non structured interviews and comments have been elaborated to validate the model in respect of the different characteristics .

The model discussion with panel 2 is based on semi-structured interviews (*Annex 2,3,4,5*). Each interviewee have been provided with an interview guide, consistently with his characteristics (Bank, Network...) and based on the available documents (Social financial statement, website...)

The evidences emerged from the interviews have been triangulated with the information available in the open documentation. This way it have been possible to draw conclusions on the potential users information needs and the effectiveness of the model in meeting them.

6.2 Results

In this paragraph we summarize the dates gathered from the semistructured interviews and discussions with potential users.

6.2.1 Discussions with panel of experts: results

For each social enterprise PMS feature we have presented strengths and weaknesses of the model that have been highlighted by the experts:

1. **Complete:** the PMS has to represent the different aspects of the business; in the SE case it has to represent the multi-purpose, multi-stakeholder dimension and strong consistency with the social mission:

Strengths: *By highlighting the input, output and outcome phases, the model analyzes the internal and external processes of the company, integrates the objectives for each phase, measures the outcome level and measures the effects in the long run through the impact dimension. It also integrates each stakeholder perspective in every stage of the process and fills the dimensions through indicators defined on each stakeholder's information need. Moreover the model defines specific sets of indicators for each stakeholder and provide three consistency dimensions that constantly monitor the coherence between the company's mission and its goals. " ... The construction of a PMS starting from the information needs represents an innovative approach and pays attention to every social enterprise's actor. It does so consistently with the essence of such realities.."*

Weaknesses. *The experts underline that the need to identify each stakeholder and to analyze their needs might be time consuming but provides it completeness*

2. **Selective:** the PMS has to capture the relevant aspects. In the SE case it has to capture the economic, social and environmental aspects:

Strengths: *The model capture this aspect through the financial sustainability dimension, through social effectiveness and the social dimension; finally the impact dimension also provides the environmental part. For this reason in the stakeholder definition every internal and external category is included and the environment is also considered as a stakeholder. One expert underlined how "... the definition of the set of indicators based on the information need assures the complete analysis of every relevant aspect. The company's value is thus measured upon the sum of values for each stakeholder.*

Weaknesses. *No weaknesses has emerged.*

3. **Able to identify the specific responsibilities:** the PMS has to measure the performance indicators for each organizational units, areas and projects:

Strengths: *The model includes the definition of performance indicator based on the information need required by every stakeholder for the input, output and outcome phases. If a company that operates through organizational areas considering the input, output and outcome phases, the manager will stress the need of managing efficiency indicators for each area. If it operates through projects then the impacts, inputs and outputs of those projects will be measured.*

Weaknesses. *No weakness has emerged.*

4. **Measurable:** it has to associate to each performance one indicator objectively detectable:

Strengths *The proposed PMS defines in details the construction of a set of indicators to be associated with every performance. These indicators, based on the literature analysis, are both qualitative and quantitative. To measure them more effectively some proxies are designed; for instance the proxy for a social enterprise that has the objective of rehabilitate former prisoners could be: " Public administration savings based on the decreased recurrence"*

Weaknesses. *Some experts have noted the difficulty to measure the social value quantitatively. Considering the company's value as the sum of its stakeholders and*

adopting proxies allows the model to overcome this weakness.

5. **Dynamic:** able to follow the dynamics of the organization concerning the evolution and the rapid changes of SE to respond to social needs:

Strengths: *The tool is dynamic. To the variation of the social need all the inputs change to adequately meet them; the same happens for the other phases. As the social need change, so vary the stakeholders and their information need and ultimately the set of indicators. Finally the consistency variables assures the adequate correspondence between social need on which the activity of the SE is based and the input resources, output results and the impacts to achieve.*

Weaknesses. *No weakness has emerged*

6. **Reliable and accurate:** PMS has to correctly assess the impact of performance monitored with respect to the overall objectives through measurable and credible data:

Strengths: *The tool is accurate, the performance impacts are measured through indicators monitoring the different phases and aspects. They operate a distinction between the objectives that are set (outcome phase) and the actual impacts generated, constantly controlled by the consistency dimensions. It has to be highlighted how the dimensions so defined reach a high degree of accuracy.*

Weaknesses. *No weakness has emerged.*

7. **Simple:** the PMS must be easy to use, comprehensible:

Strengths: *The tool has to be simple, intuitive and easy to use. It does not define different phases or calculation processes but provides the controller with the measurement dimensions for the indicators choice. It does so drawing on the specific characteristics of the company and its stakeholders.*

Weaknesses. *No weakness has emerged.*

8. **Timely:** the ability of PMS to quickly provide the information requested:

Strengths *The tool is quick. Based on the request it provides information related to every single indicator, to the dimensions and to each stakeholder.*

Weaknesses. No weakness has emerged

6.2.2 Results of interviews to potential users

The interviews with the panel of potential users have the objective of understanding the model's capacity to meet the information needs, which obviously change upon the specific features of the interviewees. For each interviewee we highlighted the associated information need which is described through the performance dimensions described before.

Unicredit

In 2010 Unicredit created the Universo Non Profit Project, defining a business model that provides a constant support to non profit organizations and SEs.

Products dedicated to SEs are:

1. *Imprendo Universo Non Profit*, a line of checking accounts with specific measures and facilitations designed for SEs
2. Tailor made financing offers, like "anticipo 5x 1.000" which allows organizations recognised by law to immediately gain access to the 5x1.000.
3. Fundraising service which allows all non profit organizations to gain access to the newest fundraising channels, both online through the website ilmiodono.it and through the Unicredit agencies.

In the chart below are summarized the information requested by the bank, emerged from the interview (*Annex 2*) and the case analysis. For each information needs, we underline whether and how (ie through which analysis dimensions) the model is able to respond:

UniCredit information need	Model dimensions
SE's Financial sheet	Financial sustainability
Social base composition	Social effectiveness: fairness
Social loans presence	Efficiency
Corporate networks	Social effectiveness: Involvement, transparency
Supervisory bodies currently in place	Management effectiveness
Corporate office rotation	Social effectiveness: fairness
Percentage of the main guarantor/total income	Financial sustainability

Table 6.3: Model dimensions correspondence to UniCredit information need

The Consorzio nazionale CGM, founded in 1987, is a third level national consortium created in the form of Limited Social Cooperative. It represents today the biggest network of Social Enterprises.

The Consorzio CGM keeps developed and maintains a network of quality services for the community and at the same time a national laboratory for occupation and social inclusion. With over 10.000 operative unites located in every region, 70 provences and 5.000 municipalities, the CGM Group represents the most articulated non profit network in italy for services that are directly offered to citizens (40%) and local agencies (60%).Over 45.000 workers are part of the CGM network , 9.000 of which are volunteers or disadvantaged subjects.

In the chart below we summarized the CGM information needs, as it emerged from the interview (*Annex 3*) and the available documentation. As in the previous case, for each information need we highlighted how the model is capable to meet those needs.

Dimensions considered by CGM	Model dimension
Financial sustainability	Financial sustainability
Social effectiveness	Social effectiveness
Production value generated by the cooperatives	Efficiency
Number of service users	Management effectiveness Consistency: Value results
Generated social value	Impact
Generated outcome measurement	Consistency: Value of product
Impacts	Impact

Table 6.4: Model dimensions correspondence to CGM information need

CGM – Finance

The Consorzio CGM Finance was founded in 1998 by Consorzio CGM.

The current reality is strictly related to the previous one since CGM Finance belongs to the CGM Group. Yet this interview (*Annex 4*) allowed us to deepen the network ability in strengthening the financial sponsors trust to grant additional funding and identify further information needs related to the SEs performance measurement system.

It was created to have a consortium financial system able to be an effective support, in compliance with the legislation.
The 3 CGM Finance activities are :

1. Inter-group financing
2. Real estate
3. Consultancy

In the following chart we summarized the evaluation key terms for CGM Finance in accordance with the proposed dimensions:

Dimesions considered by CGM Finance	Model dimension
Economic/asset parameters	Financial sustainability
Financial parameters	Financial sustainability
Projects validity	Consistency: Value of products
Shareholders entrepreneurial dimensions	Management effectiveness
social goal achievement	Consistency: Value of results
Sociality	Social effectiveness

Table 6.5: Model dimensions correspondence to CGM Finance information need

Banca prossima

Banca Prossima is a branch of the Intesa Sanpaolo Group specifically dedicated to Italian SEs.

Banca Prossima has the ultimate purpose of creating social value. For this reason it support with financing services the best non profit initiatives producing citizen services, the spread of culture and education, the art and environment protection, credit and employment access". The bank has created a Fund for the development of SE filled annually with half of its profits. The Fund allows to provide credit to high social impact projects.

The interview (*Annex 2*) focused on the Rating model created specifically by the bank to analyze the peculiarities of non profit organizations and SEs. This is built upon their ability to generate profits to repay the debit accordingly to their repayment plan.

Dimensions considered by Banca Prossima	Model dimension
Debt sustainability analysis	Financial sustainability
Financial parameters	Financial sustainability
Action effectiveness	Management effectiveness, Social effectiveness
Social goal achievement	Impact, Consistency: Value of results

Table 6.6: Model dimensions correspondence to BP information need

Make a Change

Make a Change (MaC) is a non profit association founded in 2009 with the aim of promoting social business practices in Italy (*Annex 5*).

The aim is to create a bridge between the for profit world adhering to CSR principles and the social entrepreneurs by promoting social business as a true new asset class for responsible investments.

MaC activities are:

- Competition for new social ventures dedicated to social entrepreneurs, business incubation for new SEs, "Social Entrepreneur of the Year Award", Social business projects in partnership with for profit companies, Observatory on social business Italian best practices.
- The MaC Observatory aims to identify and evaluate the Italian best practices in terms of social business, analyze their business models and measure their performances. The monitoring activity is divided by business areas.








Make a Change has defined performance dimensions to evaluate social business best practices. They are reported in the chart below:


Dimensions considered by MaC	Model's dimension
Financial sustainability	Financial sustainability, Efficiency
Scalability	Management effectiveness
Product/service innovation	Social effectiveness
CSR principles adherence	Social effectiveness, Consistency
Management profiles	Management effectiveness
Impact	Impact

Table 6.7: Model dimensions correspondence to MaC information needs

6.3 Conclusions of conceptual validation

The discussions with experts have allowed us to validate the model's effectiveness in answering the SEs PMS specifics. Specifics defined through an exploratory survey presented in chapter 3 and used to discuss the limits of existing models in chapter 5. The following chart reports the theoretical validation level for each dimension:

PANEL OF EXPERTS	
PMS characteristics	Validation level
1. Completeness	
2. Selectivity	
3. Ability to identify the specific responsibilities	
4. Measurability	
5. Dynamism	
6. Reliability and accuracy	
7. Simplicity	

8. Timeliness	
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-  Complete validation
-  Partial validation

Table 6.8: Validation summary by Expert

Relying on the experts feedback, we were able to conclude that the proposed model has all the features identified through the literature analysis and the survey. Measurability is the only aspect they have expressed perplexities about. Some of them have highlighted the difficulty of engineering and quantitative measurement of aspects such as social value.

A second aspect that have been highlighted over the interviews is the difficulty of gathering all stakeholders information needs, because of this we had to proceed carefully in the practical implementation of the model. Interviews with potential users have allowed us to confirm the effectiveness of the model in answering to the information needs through the performance dimensions identified by the model. The results of the validation process are summarized in the chart below:

PANEL OF USERS					
DIMENSIONS	Unicredit	CGM	CGM Finance	Banca Prossima	Make a Change
Financial sustainability					
Effectiveness					
Mangerial effectiveness					
Social effectiveness					
Impact					
consistency					



-  Dimension is relevant
-  Dimension is irrelevant

Table 6.9: Validation summary by users

The dimensions confirmed by all the examined cases are those related to financial sustainability, management and social efficiency and impacts. It seems coherent that the financial dimension prevails in the case of users such as banks and financing

bodies. The measures that these stakeholders demand from the SE are mainly of financial type and are used to determine the company health and therefore to determine the financing conditions. Social dimension, also, are taken into account because they distinguish SEs from traditional for profit companies.

The evaluation that the stakeholder "Social Enterprise Network" runs on the SE is wider. In particular it is highlighted the importance of the corporate efficiency, both in terms of management and social objectives. Considering also stakeholders of the non profit world, the most relevant dimension turned out to be the measurement of the impacts that SEs have on their local communities. These dimensions are practically validated in the next chapter through the model implementation.

7. Pms Implementation in 5 cases of Italian social enterprises

In the previous chapters we moved from the identification of the characteristics to whom a PMS should answer for responding to SE informative needs, and we developed a model that aims to respond to them. The model was subject to a preliminary validation with a panel of experts and a panel of potential users, resulting potentially able to answer to the theoretical PMS characteristics and to the informative needs of potential users.

In this section, the proposed model is applied to five SEs to demonstrate that the PMS takes into explicit consideration the nature of SEs of being multi-objectives and multi-stakeholders systems, hence capturing their social, environmental and economic impact, and responding to the informative needs of different stakeholders. In particular, with this stage of the research, we aim to achieve the following specific objectives:

- Verify the model's applicability to real cases in term of easiness of use and comprehensibility by the stakeholders involved;
- Verify the accuracy of the information flows in relation to the model ability to concretely respond to the information needs of different stakeholders;
- Verify the quality and reliability of the results concerning the set of indicators;
- Understand the problems that emerge when trying to apply it and the effort required by the model implementation in term of time needed to construct the PMS and collect information.

7.1 Implementation Methodology

In this section, we explain the steps we followed to develop the PMS in five SEs and the steps we did for collecting and analyzing data that were collected from multiple sources to capture key dimensions of the problems analyzed (Yin, 1994): structured interviews; semi - structured interviews, official documents and presentations; archives; direct observation and internal document usually not available to the public.

The application of model to real cases, was considered the most suitable to validate the proposed approach, we have considered that only through the real involvement and consultation of the stakeholders we could define a practical and applicable tool.

Since this phase of the research aimed at verify the applicability of the model and its suitability to be implemented by SEs, three main criteria were used for the selection of the cases:

- level of "formalization" of business activities: we have chosen SEs with at least a medium level of formalization in order to ensure the managerial dimension considering that the Italian law crosses the boundaries of legal and organizational forms, enabling various types of organization to obtain the "legal brand" of social enterprise.
- SEs with different characteristics in term of mission, types of activities, organizational forms, geographic areas of intervention (national, international)
- the possibility to access to the organization and its stakeholders and its availability to show filtered information.

Indeed to ensure the level of formalization we have chosen enterprises with annual revenue greater than 500.000 euro (two cases overcomes 4 million euro), only one case has a lower value, however, was considered because unique that acts in developing countries; and the SEs with a employees number greater than ten.

To ensure a overview of SEs typology, the SES chosen have different legal forms: two are cooperative society, two are social cooperative type B and one is a association, and they have different missions, the mission of cooperative type B is the working integration, but one also takes care the environmental protection. The Cedis enterprise was born to develop its territory, finally the EFrem association aims to increase the culture on renewable energy in LDC.

Finally these enterprises carry out totally different activities as shown in the table that summarizes the different cases:

	<i>CediS</i>	<i>Cantiere del Sole</i>	<i>La fabbrica di Olinda</i>	<i>Di Mano in Mano</i>	<i>EFrem (Energy Freedom)</i>
Sector	Production Energy	Water system Photovoltaic systems	Catering and hospitality	Recycling	Renewable energy, training
Forms used	Coop.Society	Social Coop. type B	Social Coop. type B	Coop.Society	Association
Social Mission	Development territory	Working Integration Environmental protection	Working Integration	Environmental protection	Increasing culture on renewable energy in LDC
N. employees	22	15	17	44	15
N. members	2946	18	52	40	30
Year Founded	1904	2003	1999	1999	2007
Annual revenue (2010) €	4.034.039,57	4.421.173,00	848.400,21	2.199.593,00	180.000
Geographic Area Impact	Municipality of Trento	Brescia	Milano	Milano	Burundi, Kenya, Ivory Coast, Ghana, RDC, Rwanda
Activities	Electricity, production, Telephony & Internet provision, control water, gas facilities	Design, installation, maintenance of electrical and hydraulic power-saving	Service bar-restaurant, hostel, theatre management	Clearance , recycling and sale materials	Training of trainers

Table 7.1: the five cases analysed

To define the PMS for each case, we followed five steps shown in the Figure 5.1, coherently with the methodologies presented in Section 5.2.2:

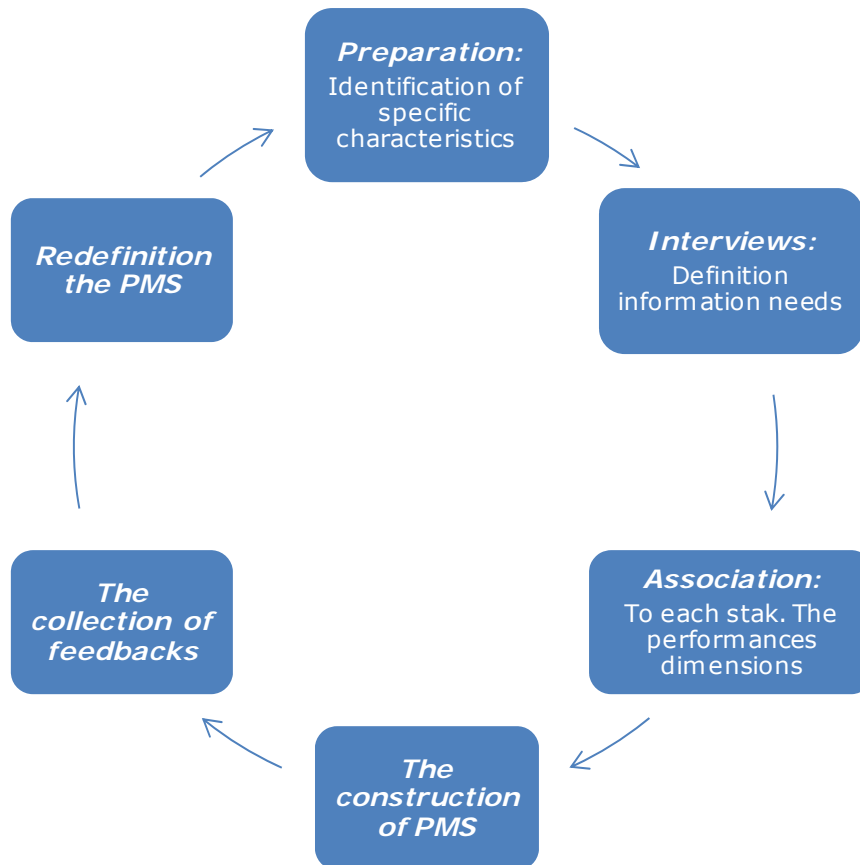


Figure 7.1: Five steps to define the PMS for each case

1. Preparations - identification of specific characteristics: first, we analysed publicly available documents and internal records and presentations such as social annual statement, organization chart, programs, plans, budgets and company's accounts, in general for each case we had access to social statements annually, organization charts, budgets, documents describing the activities. We complemented these documents through semi-structured interviews, and site visits, whereby we defined:
 - the specific characteristics of each Se,
 - the mapping of all internal and external stakeholders

2. Interviews to define the information needs. Based on the information collected in the preparation step we defined the questionnaire for each stakeholder (the *Annex 4* resumes the sample questionnaires designed for each stakeholder category).

Therefore in this step we interviewed different categories of internal stakeholders and, when possible, different categories of external stakeholders to define:

- the key features of internal and external processes
- the information needs of each stakeholder

The interview process followed the steps defined on the development approach (par. 5.2.2), adapting to the characteristics and availability of their cases:

a) First Interviews:

Process facilitation: interviews to firm's BoD and ask them to identify the company's strategic objectives,

b) Second Interviews - second round:

Interviews to BoD to identify their information needs and the information needs of other internal and external stakeholder,

c) Third Interviews:

Where available, interviews to internal stakeholder to verify their information needs,

d) Fourth Interviews:

Where available, interviews to external key stakeholder to verify their information needs.

The table summarize the stakeholder interviewed for each case:

Case	Internal stakeholder	External stakeholder
CEDIS	<ul style="list-style-type: none"> • the director of the consortium • the manager of research and development 	<ul style="list-style-type: none"> • the co-operative bank director (La cassa Rurale), • the director of "Valsabbina Bank" subsidiary of Storo, • a supplier (WB Group), • the Storo's Mayor, • a member
CANTIERI DEL SOLE	<ul style="list-style-type: none"> • president 	
OLINDA	<ul style="list-style-type: none"> • vice-president • one of the managers 	<ul style="list-style-type: none"> • an association partner
DI MANO IN MANO	<ul style="list-style-type: none"> • vice-president 	
EFREM	<ul style="list-style-type: none"> • President • Employee 	

Table 7.2: the stakeholder interviewed for each case

3. Association: third, we associated to each stakeholder the performance dimensions most coherent with their information needs. In details we have attributed to the information needs declared the performance dimensions defined by the model:
 - a) Financial sustainability
 - b) Efficiency
 - c) Management effectiveness
 - d) Social effectiveness
 - Involvement
 - Communication, transparency
 - Fairness
 - e) Impact
 - f) Consistency
 - Value of resources
 - Value of products
 - Value results

4. The construction of PMS: fourth, we built the PMS defining a set of indicators coherent with the specific context in which the SE competes, its characteristics and the declared needs. The different indicators start by the list defined in the literature review but some are tailored to the specific features of each SE. The final list include both quantitative and qualitative indicators, though we attempted to focus on issues that could be quantified. Each indicator is calculated for year.

5. The feedbacks: fifth, we presented the PMS developed to the key actors of the analysed SEs and collected their feedback and comments. Based on their comments we refined the PMS to ensure the conformity with the specific characteristics of SE.

7.2 *Cedis-Storo' s case*



7.2.1 *Description*

Cedis - Electric Consortium of Storo (Trento) is a Limited Cooperative Company, founded in 1904 and today consists of over 2500 members who come from the municipality of Storo (Bondone, Tiarno di Sopra, Tiarno di Sotto e Bezzecca).

The Cedis is a social consortium form that can be defined as Social enterprise. Cedis has created a service run by the community itself.

The Cedis' activities developed in four main areas: production and distribution of electricity, telecommunications, gas supply and analysis of drinking water. For each of these activities, in accordance with Article 2 of Law 59/92 and art. 2545 CC, the board of directors aims to ensure to the members of the consortium rates lower than those applied to other national users and to ensure to the company sufficient cash flow for continuous improvement and upgrading of facilities in order to offer member to a high quality and continuity of service.

As follows, we present a short description of the areas of activity in which Cedis competes:

1. **Electricity production and distribution.** The company owns two electric plants (Lorina and Palvico) with four groups of turbines. Cedis is also the owner of a modern and extensive distribution network that involves different municipalities (se li hai metterei tra parentesi i km di estensione della rete). In the electricity sector, the consortium makes revenues from two main sources: the sale of electricity to the members, citizens and other companies, and green certificates. Since 2003, following the liberalization of the electricity market, energy producers were asked to produce at least 2% of electricity from renewable resources mandatorily. If they cannot do that directly, producers have to buy a corresponding quota of green certificates from companies that have a larger production from low emission sources, as in the case of Cedis. In addition to the primary activity of energy production, Cedis also collaborates

with some government agencies in the management of production facilities and distribution of electricity to third parties.

2. **"The Solar Roof"** have been established above the warehouse, in an industrial area in Storo, at the end of 2009, by the "BM-elettronica spa". It was therefore formed a company specifically dedicated, e-Cedis, to manage study, research, production, supply, transportation, processing, distribution and sale in the energy, environmental, data transmission, radio and TV signals telephony, building and managing their networks. "E-Cedis srl" is still completely controlled by the consortium.
3. **Creation and management of fiber optic networks**, offering phone services to their members, Internet connections and TV services. The fiber optic network built by Cedis is connected to the Trentino network.
4. **Gas supply**, this associated activities are performed by bargaining with Cedis and "Trenta spa".
5. **The management of municipal water systems**, the consortium is also involved in work with some public bodies for checking water samples to ensure its members good quality drinking water.

7.2.2 Stakeholders analysis

Based on the analysis of the available documents, we identified a preliminary list of stakeholders, that was refined and detailed based on the interviews performed with two key internal actors of Cedis:

- a) the director of the consortium,
- b) the manager of research and development.

The stakeholders were classified in accordance with the model proposed, as showed in Table 7.3:

STAKEHOLDER CATEGORY	SPECIFIC STAKEHOLDER
INTERNAL STAKEHOLDERS	
Managers	Board of Director
	Director
Employees	Deputy Director
	Sectors managers
Member	Members
Workers	Employees
	Technical

EXTERNAL STAKEHOLDERS	
Funders	Members
	Banks
Customers	Members
	Private companies
	Private citizens
	Companies that produce not clean energy
	Other distributors
Suppliers	Optical fibre
	Other raw materials
	BM Electronics Spa (solar panels)
	Telephone operators
	Trentino Network (connection broadband)
	Trenta spa (gas)
Beneficiaries	Local community
	Private citizens
	Environment
	Territorial associations
Community	Storo's community and other municipalities
Environment	Renewable energy
Government - public	Region Trentino
	a2a
Competitors	E.S.C.O spa
	Other energy manufacturers

Table 7.3: Cedis - The specific stakeholder chart

Key stakeholders are:

- The members
- The local community
- The managers
- The funders
- The suppliers
- The municipalities of Storo, Bedone, Tiarno di Sopra, Tiarno di Sotto e Bezzecca
- The environmental
- The other cooperatives, that we add to the previous list

Instead, we excluded:

- The competitors, because Cedis at the moment is the market leader in its territory, for the type of service offered and integration in this local

community, indeed the competitors haven't a direct relationships and influence.

- The employees, they have an important role in the life of Cedis. We can considered, however, that managers and employees have the same need of information, for this reason they are considered together in the next analysis

As highlighted in the beginning of this chapter, we complemented the view of internal stakeholders by interviewing some external actors that have key relationships with Cedis:

- c) The co-operative bank director (La cassa Rurale),
- d) The director of "Valsabbina Bank" subsidiary of Storo,
- e) A supplier (WB Group),
- f) The Storo's Mayor,
- g) A member.

7.2.3 The information needs

The interviews and the documental analysis allowed to portray the informative needs of different stakeholders' categories, highlighting the existence of a higher information exchange with the internal stakeholders than the external ones.

As follows, we summarize the information needs of salient stakeholders:

- **The managers** are the stakeholder category up to the enactment of strategies and decisions that are set forth by the board of directors. Managers pay particular attention to the execution of daily operation and related cash flows, we underline that the profits have to be reinvested in the business. Therefore these stakeholders are those that determine the efficiency and effectiveness of the organization and the financial sustainability, aiming first at maintaining the well-being of the community. They also consider important the customer satisfaction.
- **The Members and local community** are the stakeholders with more influence in the management choices of Cedis, because the consortium mission is to meet the needs of its members and the community who are therefore also the beneficiaries of the consortium activities. They are interested in the economic sustainability, because they are also s, each member can invest in the consortium through "social lending". Obviously for them are important the

service quality, the effectiveness, the transparency and involvement finally the impact and benefit for the community.

- **Financial institutions** are Cedis stakeholders because they fund at least partly Cedis activities. However, the Banks don't enter in Cedis management decisions and they reserve to the consortium the same treatment to a private business. Compared to other members of the consortium themselves, the banks have no interest in activities and services offered by Cedis, being primary focused on financial sustainability. There is one exception that is the BCC, that takes care of the social effectiveness and impact.
- **Suppliers:** Cedis has a large number of suppliers, the selection of suppliers, is made through tenders and is based primarily on the reliability, secondly on the quality / price ratio. Cedis to date fails to cover total energy demand then buy energy from "Trenta Spa" and all activities relating to investment in renewable energy, are handled by e-Cedis. In general suppliers don't affect to the activities and choices of the consortium and they are also interested in financial stability of the consortium.
- **Environment:** environmental protection is a practice of government that belongs to the consortium and thus affects their management.
- **Public administration:** the municipalities of the territory are members of the consortium and thus have the same role that is discussed above. Other public bodies have a relationship with Cedis, that however is strictly institutional and occasional as underlined by the Major. Therefore, these entities are not regarded as direct stakeholders.
- **Cooperatives:** Cedis belongs to several associations (Trentino cooperatives, companies operating in the utilities and companies Federutility for renewable energy). They definitely have an interest in respect of the consortium but do not have a direct influence on the policies of the consortium, only the Trentino Federation of Cooperatives, which is the body that certifies the budget Cedis, therefore the Federation is interested in economic sustainability, services for the Community and impact.

In the next step we associated to each stakeholder the performance dimensions most coherent with their information needs. The result is shown in the Table 7.4:

	Specific Stakeholder	Dimensioni
Manager	BoD, manager, sector referents	Financial sustainability; Efficiency; Management effectiveness; Social effectiveness (involvement, transparency, fairness); Impact; Value of resources; Value of products; Value of results.
Members	Members, customers, Municipalities	Financial sustainability; Efficiency; Management effectiveness; Value of products; Impact;
Funders	BCC, Other Banks, Members	Financial sustainability; Social effectiveness; Impacts
Suppliers	Suppliers of electricity, electrical equipment and plant	Financial sustainability; Value of resources; Value of products
Local Community	Area residents, local associations	Financial sustainability; Value of results; Impact
Environmental		Impact; Value of results
Other cooperatives	Aper; Federutility; "Federation trentina cooperatives"	Financial sustainability; Value of results; Impact

Table 7.4: Cedis - erformance dimensions for each stakeholder

The above analysis clearly shows a polarization in the set of information considered relevant by each stakeholder. In particular, the s are primarily interested in financial performances, funding composition and impact. Beneficiaries that are the customers are concerned with service quality, financial sustainability and impact. Suppliers are mainly concerned about the economic variables. The local community gives particular attention to social effectiveness and impact. On the other hand, the internal stakeholders (BoD, manager) are interested in a wider range of performances. They care of the financial sustainability of the company, but they are also interested in impacts, management and social effectiveness and consistency of the results with the mission of the SE.

7.2.4 The PMS construction

In this stage we built the PMS defining a set of indicators based on the Cedis' features and the declared needs of different internal and external stakeholders. The result was a preliminary list of 58 indicators, that was sent to Cedis Director for approval. The Director validated most of the proposed indicators and provided useful feedbacks to complement them, suggesting the importance of integrating some indicators related to technological processes: hydroelectric turbines efficiency and solar panels efficiency. The final PMS is the following:

PMS: set of indicators			
4. Financial sustainability		5. Efficiency	
1.1	Total Revenue	2.1	Total energy costs/total Kwh sold
1.2	Net Income	2.2	Total cost telecom sector/ users connected
1.3	ROE	2.3	Cost of maintenance facilities
1.4	ROI	2.4	Hydroelectric turbines efficiency
1.5	Leverage	2.5	Solar panels efficiency
1.6	Cost of capital	6. Management effectiveness	
1.7	(Turnover 2010 – Turnover 2009) / Turnover 2009	3.1	Total number and employee turnover rate
1.8	EBIT	3.2	N. of complaints
1.9	Current ratio	3.3	Mean time between service request and technical output
1.10	Operating working capital	3.4	N. of interruption services
1.11	Equity / turnover	3.5	N. signaling malfunction
1.12	Social capital increase	3.6	N. Members / N. local families
4. Social effectiveness		3.7	Frequency of new users connections
Involvement		3.8	Estimated operating costs /actual operating costs
4.1	% participation assembly member	3.9	Estimated period costs /actual period costs
4.2	% increase in social base than the previous year	3.10	Variation members number
4.3	N. of board of directors meetings	3.11	% reduction of customer credit
4.4	N. of initiatives for the local community	5. Social impact	
4.5	N. of workers meetings	5.1	% Employees / Local Population
Communication Transparency		5.2	C02 saved per year
4.6	N. of requests for bills clarification	5.3	Local suppliers / providers total
4.7	N. of public and immediately available documents	5.4	N. families connected to Internet / N. local families
4.8	N. of reminders for documentation	5.5	Contributions to local associations / Net Income
4.9	N. of information requests	6. Value of resources	
Fairness		6.1	Actual cost of raw materials
4.10	Governance composition : gender, age group, minority	6.2	Actual cost of infrastructure
4.11	N. of employees, divided by typology, contract...	6.3	Direct labor costs
4.12	N. of new connections in areas not easily accessible	6.4	% Local workforce
7. Value of products		6.5	Funding composition
7.1	Total kWh produced per year from hydro	6.6	% Investment in social services
7.2	Total kWh produced per year from PV	8. Value of results	
7.3	Km LAN	8.1	Spared barrels oil per year
7.4	% Annual increase of adherents ICT services	8.2	% discount of Membership bills
7.5	% satisfied requests of members (ICT sector)	8.3	Increase n. of members connected to LAN
7.6	% satisfied requests of members (energy sector)	Table 7.5: Cedis PMS	

Finally, in Table 7.6, we associate to each stakeholder, their a set of indicators. Clearly, there are indicators that are directed to several stakeholders, and indicators that have been tailored to the informative needs of a more limited number of stakeholders. In other cases, the process followed will be the same, then the table will not be reported.

	PERFORMANCES DIMENSIONS									
	Financial sust.	Efficiency	Management effectiveness	Social effectiveness			Impact	Consistency		
				Involvement	Communication transparency	Fairness		Value of resources	Value of products	Value of results
STAKEHOLDERS	INDICATORS									
Manager	1.1-1.12	2.1;2.2;2.3	3.1-3.11	4.1-4.5	4.6-4.9	4.10-4.12	5.1-5.5	6.1-6.6	7.1-7.6	8.1-8.3
Members	1.1;1.2;1.5;1.9;1.11;1.12		3.3;3.3;3.4;3.5;3.6	4.1;4.2;4.4	4.7;4.8	4.12	5.4		7.5;7.6	
Funders	1.1-1.11			4.4	4.6-4.9	4.12	5.4; 5.5			
Suppliers	1.1-1.11			4.1;4.3;4.5	4.6;4.7	4.10;4.12		6.1:6.2	7.1-7.6	8.2;8.3
Public entities				4.1;4.2;4.4	4.7;4.8	4.12			7.1-7.6	
Local community	1.1;1.2;1.5;1.9;1.11;1.12						5.1-5.5		7.1-7.6	
Environmental							5.3		7.2;7.3	
Other cooperatives	1.1-1.7;1.12						5.1;5.3;5.4;5.5			8.2;8.3

Table 7.6: Cedis-Indicators list for each stakeholder

7.3 *Cantieri del Sole's case*



7.3.1 *Description*

Cantieri del Sole is a social cooperative established in 2003 by a group of partners with specific expertise in energy and environment. The social enterprise is located in Brescia. The enterprise mission: respecting nature understood as enhancement of man's vital environments, constant research and the desire of finding new solutions to problems, reducing waste and adopting an equitable distribution of resources. The inherent activities of Cantieri del Sole are:

- Design and maintenance wiring and plumbing
- Marketing and installation of energy saving technologies and renewable energy
- Machinery construction:
 - photovoltaic systems
 - solar thermal systems
 - geothermal systems
 - biomass solutions
- Assistance and advice on energy efficiency in new buildings
- Technical training for socially disadvantaged workers, with the aim of re-employment

The cooperative also currently provides:

- Cleaning services, maintenance, SOS interventions for private houses and local government facilities (municipalities and provinces)
- Design and installation of high technology machinery (home automation) serving people with physical disabilities;
- Partnerships with companies operating in energy preservation and alternative energy, installation of environment-related products such as solar panels and heating systems, energy saving light bulbs, etc.

7.3.2 Stakeholders analysis.

Based on the analysis of the available documents, the social annual statement in particular (a corporate sheet describing internal and external stakeholders), we have identified a preliminary list of stakeholders that was refined after a set of interviews with Cantiere del Sole President:

The stakeholders were classified in accordance with the model proposed, as showed in table 7.7:

STAKEHOLDER CATEGORY	SPECIFIC STAKEHOLDER
INTERNAL STAKEHOLDERS	
Managers	Board of Directors
	President
	Vice president
	Sectors managers
Member	General Assembly
Workers	Employees
	Technical
	Disadvantaged workers member
	Voluntary member Employees
EXTERNAL STAKEHOLDERS	
Funders	BCC
	Banca Etica
	ASL (Healt Agency)
	FinLombarda
Customers	Public entities
	Private companies
	Private citizens
	Social cooperatives, no profit associations
Suppliers	Solar panel seller
	Machinery for disabled people
	Cleaning products
Beneficiaries	Local community
	Private citizens
	Environment
	Territorial associations
	Local enterprises
Community	Lombardia Community
	Province of Brescia
Environment	Renewable energy
Government - public	Region Lombardia
	Province of Brescia
	ASL (Healt Agency)
Competitors	Cleaning businesses
	Other solar panel manufacturers

Table 7.7: Cantiere del Sole - the specific stakeholder chart

List of key stakeholders that have emerged from the interview with the President:

- The Board of Directors
- The President
- The Employees
- The Disadvantaged workers
- General Assembly
- The members
- The local community
- The Funders: BCC, Banca Etica, Banca Prossima
- The suppliers of solar panels, wiring and structural material
- The environmental
- The other cooperatives: Cauto and Confcooperative
- The customers: Private citizens, Private Companies, Public Agencies, Health agencies and hospitals

As stated, we added Banca Prossima amongst the funders.

After the interview with the president we decided to consider the cooperatives as other stakeholders that support the company assets.

In particular, we emphasized the role of Cauto Cooperative, since Cantieri del Sole was founded as a spin-off of the cooperative in order to create an organization dealing with renewable energy specifically. The members of the board of Cantieri del Sole also belong to the board of directors of Cauto, but they maintain freedom in setting management objectives, as highlighted by the President: "*.. Thanks to this synergy between the boards is much easier to work on common goals even if you are operationally independent ..*". Cantieri del Sole and Cauto therefore share the same social values. Cauto also provides services to Cantieri del Sole such as administrative, accounting and legal management. The existing bond between the two cooperatives has allowed Cantieri del Sole to access funding more easily; Cauto have proposed itself to credit institutions as guarantor. Finally, also Confcooperative, as a representative body, assists the social cooperative.

We excluded all relationships related to cleaning activities because it isn't considered part of the company's business and is kept in place just to secure a job for

disadvantaged people who cannot be employed in the core activities. These area, having no influence on the sustainability of the company, will be eliminated in the next few months.

Competitors were also excluded by the analysis because, according to the president, competition in the field of photovoltaic and energetic is increasingly tight. For this reason the cooperative has decided to expand its portfolio by entering the the field of environmentally sustainable real estate development.

There are no relationships with competitors and their presence does not influence the dynamics and processes of the company; so their information needs hasn't been considered.

7.3.3 The information needs

The interview and the documental analysis allowed us to portray the informative needs of different stakeholders' categories, highlighting the existence of a higher information exchange with the internal stakeholders rather than the external ones.

We summarize in the following the information needs of salient stakeholders:

- **Internal Stakeholders:** According to the interview with President Maurizio Zani we perceived that for Cantieri del Sole social aspects are more important than financial arrangements "*..we do not choose business if it goes against the interest of the cooperative..*". The primary objective of the cooperative is to integrate work, then it is essential to ensure quality work and the employee involvement in the organizational life.

So every working member has a chance to influence the operations of the organization and believes it is important to maintain a coherence between the social objective and the results achieved. The quality of products and services offered are considered extremely important. In general, the financial sustainability is an requirement is considered an essential requirement. In particular it is noted that members receive the drawback. Of course, considering the importance of the "environment", it is essential to measure effectively the impacts on it.

- **Funders:** Lenders are the BCC del Garda, Banca Etica and Banca Prossima, from which Cantieri del Sole has obtained the mortgage contract. The nature of the relationship is the typical business/financial institution one. Lenders are

therefore primarily interested in the financial sustainability and secondly in the achieved social goals.

- **Suppliers:** providers are mostly private companies that do not confer any advantage to Cantieri del Sole just because of its social purposes. In fact they sell supplies at the same prices of the profit world. They are therefore only interested in financial stability and are chosen on the quality / price ratio.
- **Other cooperatives:** considering the synergic relationship with Cauto and support from Confcooperative, their information needs are financial sustainability, the social purpose and the environment preservation.
- **Customers:** Clients are both public institutions and private. Cantieri del Sole regards the quality of its work as important and therefore tries to prevent any complaint. The main dimension is the quality of the product/service offered.
- **Beneficiaries:** Beneficiaries are the disadvantaged workers who are at the center of the company's mission. For this reason we believe it's important to consider them as a special category, interested itself in reaching financial sustainability, the quality of the work place and the involvement in reintegration processes.
- **Environment:** Every activity carried out by Cantiere del Sole aims to be environmentally sustainable. Facilities for energy production are installed using renewable energies through machinery with low impact on the environment. Therefore the environmental impact is an indicator to be measured.
- **Local Community:** There is no direct relationship with communities. The local community is nonetheless a beneficiary from Cantiere del Sole's activities, since its focus on social and environmental results.
- **Public Agencies:** The local administrations' influence on the business management is normative. They are considered clients.

In the next step we associated to each stakeholder the performance dimensions most coherent with their information needs. The result is shown in the Table 7.8:

	Individual Stakeholders	Dimensions
Internal	BoD; General Assembly; sector managers; workers	Financial sustainability; financial efficiency; management effectiveness (customer satisfaction-workplace quality); social effectiveness (transparency, fairness); social and environmental impact; input value; output value; outcome value.
Funders	BCC, Banca etica, banca prossima	Financial sustainability; social effectiveness; impacts.
Suppliers	Solar panel suppliers; wiring	Financial stability
Other cooperatives	Cauto, cooperatives Adhering to Confcooperative	Financial sustainability; social and environmental impact; outcome value
Customers	Private citizens, private companies, public agencies and hospitals	Management effectiveness , output value
Beneficiaries	Disadvantaged workers	Financial sustainability; management effectiveness; social effectiveness (transparency, fairness); social impact; input value; output value; outcome value.
Local Community		Social and environmental impact; outcome value
Environment		Environmental impact

Table 7.8: Cantieri del Sole - Performance dimensions for each stakeholder

The table shows that, as in other cases, the different stakeholders consider relevant different information sets. Emphasizing once again that the s are primarily interested in financial performance, and in this case there is also an interest for the effectiveness and impact dimensions. Suppliers are mainly concerned about the economic variables. The local community gives particular attention to social and environmental impact. On the other hand, the internal stakeholders (BoD, manager) and the beneficiaries are interested in a wider range of performances. They care of the financial sustainability of the company, but they are also interested in impacts, management and social effectiveness and consistency of the results with the mission of the SE.

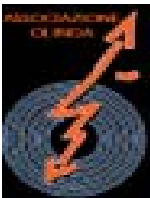
7.3.4 The PMS construction

In next stage we built the PMS defining a set of indicators based on the declared needs of different internal and external stakeholders by the president. The result was sent to Cantieri del Sole President for approval. The president validated all proposed indicators. The final PMS is the following:

PMS: set of indicators			
1. Financial sustainability		2. Efficiency	
1.1	Total Revenue	2.1	N plants/total work hours
1.2	Net Income	2.2	Productivity value/ total work hours
1.3	ROE	2.3	Cost of maintenance facilities
1.4	ROI	2.4	Electrical plants efficiency
1.5	Leverage	2.5	Solar panels efficiency
1.6	Cost of capital	2.6	Panels cost/ materials cost
1.7	(Turnover 2010 - Turnover 2009) / Turnover 2009	3. Management effectiveness	
1.8	EBIT	3.1	N. of complaints for high technology machinery
1.9	Current ratio	3.2	N. of complaints for solar panel installed for year
1.10	Operating working capital	3.3	N orders budgeted/actual orders
1.11	Equity / turnover	3.4	N. signaling malfunction
1.12	Social capital increase	3.5	N disadvantaged workers/N non impaired workers
4. Social effectiveness		3.6	Tot voluntary hours / tot paid work hours
Involvement		3.7	N.of volunteers / n. of salaried
4.1	% participation assembly member	3.8	Estimated operating costs /actual operating c.
4.2	% increase in social base than the previous year	3.9	Estimated period costs /actual period costs
4.3	N. of board of directors meetings	3.10	Variation members number
4.4	N. of workers meetings	3.11	Total number and employee turnover rate
4.5	N. of workers and board meetings	3.12	% increase of agreements with health agencies
Communication Transparency		5. Social impact	
4.6	N. of requests for clarification by Public Agency, hospital	5.1	Investment environment protection expenditures / total expenditures
4.7	N. of public and immediately available documents	5.2	C02 saved per year
4.8	N. of reminders for documentation	5.3	KWh installed of clean energy
4.9	N. of information requests	5.4	Ton oil saved for year
Fairness		5.5	Euros saved for health agency for years
4.10	Governance composition : gender, age group, minority	5.6	N. of disadvantaged people employed after the training period
4.11	N. of employees, divided by typology, contract...	5.7	% (disadvantaged workers / total workers disadvantaged in Brescia)
7. Value of products		6. Value of resources	
7.1	Total kWh produced per year from El. Plant	6.1	Actual cost of raw materials
7.2	Total kWh produced per year from PV	6.2	Actual cost of infrastructure
7.3	Km LAN	6.3	Direct labor costs
7.4	% satisfied requests of Health agency	6.4	Funding composition
7.5	% satisfied requests of Public adm.	6.5	% raw materials purchased from other coop.
7.6	% satisfied requests of clients	6.6	% materials with low environmental impact
		8. Value of results	
		8.1	Spared barrels oil per year
		8.2	N. trainings per year
		8.3	% Annual increase of clean energy served

Table 7.9: PMS for Cantieri del Sole

7.4 *Olinda's case*



7.4.1 *Description*

"Fabbrica di Olinda" is a social cooperative which adheres to the League of Cooperatives. Since 1999 it develops social enterprises activities aiming towards social reintegration of disadvantaged people.

The mission of Olinda, as stated in the statute itself, is to pursue the general interest of the community to promote human and social integration of citizens through activities that provide employment for disadvantaged people. The spaces in which Olinda operates are those that once belonged to the "Paolo Pini" psychiatric hospital. Olinda is a social enterprise constituted by two organizations, the "Fabbrica" and the Olinda Association. As can be seen by the name of the two, the first is a social cooperative, more entrepreneurial in nature, while the second is a non-profit. The Association's practice focuses on the organization and presentation of cultural events: for Olinda culture has a central role in strengthening social cohesion projects.

Through events, Olinda tries to communicate the change that took place in what was once used as an asylum. Since the organization started operating, the psychiatric institute has become a meeting place and the scene of several events: each year thousands of people come for entertainment, dining and the former hospital turned into a meeting place for young people in the neighborhood.

"Fabbrica di Olinda" is a social cooperative whose business nature creates employment opportunities for disadvantaged people, mainly for people with mental health problems. The activities of the social enterprise consist of public establishments, licensed by the City of Milan, such as Bar, Restaurant, Hostel and the Catering sector. These activities are synergic with each other and with the cultural activities; however they show a substantial independence with regard to the

operational management and development of the specific sector. "Fabbrica di Olinda" then tries to benefit its stakeholders, the disadvantaged people, by providing stable job opportunities often in accordance with clients and the public.

This is specifically designed to break down the barriers that have long been raised against people with mental problems and to highlight the fact that these individuals, when placed in a different context, are not that much different. In details the activities are:

- **Bar-Restaurant Jodok:** It carries out both bar and restaurant activities and serves traditional cuisine with attention to seasonality and critical consumption. Its workers are disadvantaged; it has also become a meeting point where it is easy to find and meet very different people. All of this is possible thanks to the festival "Da vicino nessuno e' normale", to the Ostello Olinda (Olinda Hostel) which welcomes people from all over the world and finally to the weekly meetings that bring together the neighborhood.
- **Olinda Catering:** It offers catering services bringing outside the former psychiatric Hospital their competencies in the restoration field. Menus are composed by products that come from small agricultural cooperatives, fair trade and Slow Food.
- **Bistrot Olinda at Teatro Elfo Puccini:** Olinda has created a Bistrot at the "Teatro Elfo Puccini", an accessible culinary place of excellence.
- **Ostello Olinda:** It offers hospitality services, often supporting cultural events of worldwide reputation.
- **TeatroLaCucina:** Olinda has created a theater, inaugurated in 2008, replacing the old asylum kitchens.

As it is highlighted from this first analysis, all Olinda activities are strictly connected and aim towards the same integration goal.

7.4.2 Stakeholders analysis

Based upon the available information (online and social financial statement) we have identified some macro-groups interacting with the social enterprise:

STAKEHOLDER CATEGORY	SPECIFIC STAKEHOLDER
INTERNAL STAKEHOLDERS	
Managers	Assembly members
	Board of Director
	President and vice-president
	Referents for sector

Workers	Workers member
	Voluntary member Employees
	Disadvantaged workers member
	Workers
Partners	Other associations
EXTERNAL STAKEHOLDERS	
Funders	Credit institutions
Customers	Private citizens
Suppliers	Suppliers of food and beverages
	Cleaning material suppliers
Beneficiaries	Local community
	Disadvantaged workers
Community	Local residents of Comasina
Environment	Environment
Government - public	Municipality of Milan
	Province of Milan
	Health agency
	Other social services
Competitors	Other food service at Comasina area
	Hostels at Milan

Table 7.10: Olinda - the specific stakeholder chart

To identify the relevant stakeholder we interviewed :

- a) vice-president
- b) one of the managers
- c) one association partner

from the interview we identified the following stakeholders:

- Board of directors;
- General Assembly;
- Workers;
- Sector managers;
- Volunteers;
- Association partners
- The local community of "Comasina" neighborhood
- Beneficiaries: disadvantaged people
- The Funders:
 - Banca Etica,
 - Banca Prossima,
 - altri istituti di credito,
 - fondazioni bancarie

- Clients
- The suppliers
- Public agencies:
 - Asl (Health center)
 - Niguarda Hospital,
 - City of Milan,
 - "Regione Lombardia",
 - County of Milan

Were excluded:

- The environment: Olinda is not involved in environmental activities

We organized:

- The internal stakeholders, because Olinda's policy is to consider every stakeholder in the same way: they have the same social objective which is the protection of disadvantaged segments of the population. And we consider as the internal stakeholder also the partner
- Different types of financing/donors
- Public Agencies

Considering that the information needs of internal stakeholders are well represented by the vice-president and the area manager, we also interviewed some key and available external stakeholder to complete the overview of the prospects for all stakeholders typology:

- A beneficiary: An ASL trainee, to focus on rehabilitation programmes
- A customer: A client of the bar/restaurant who can serve also as hostel customer

7.4.3 The information needs

Based on the interviews and the document analysis it results a higher information exchange with the internal stakeholders rather than the external. Here we attempt to summarize the information needs of relevant stakeholder:

- **Internal Stakeholders:** Olinda's policy is to consider everybody involved on the same level; internal stakeholders can be considered as a single group that share the same objectives such as the protection of disadvantaged individuals and quality and efficient services while trying to achieve a balanced budget. To date, the monitoring of performance at "Fabbrica di Olinda" is performed by taking into account the economic aspects for which it is drawn up a monthly budget and any deviation is

analyzed. A specific evaluation form is filled for individual disadvantaged people currently under training. The analysis of other performance dimension is not conducted in a structured way but it pays considerable attention to an ever wider process efficiency as well as managerial effectiveness by improving the working conditions of disadvantaged people. Other dimensions are the essential inclusion and involvement” of the territory. The strong sense of fairness is demonstrated by the fact that the supreme body is the General Assembly of members (all workers disadvantaged individuals are members). Technical and operational strategies are taken by the Board of Directors but always require the approval of all members.

- **Funders:** the main ones are banks and banking foundations, none of them reserves Olinda a different treatment to those of any other traditional company just because it operates in the social field. Even Banca Etica or Banca Prossima, that grant loans only to social enterprise/institutions, ask guarantees of financial sustainability as any other bank. Banking foundations are involved for the most part in specific projects and initiatives.
- **Suppliers:** the suppliers of “Fabbrica di Olinda” are manifold. The relationship with these stakeholders is purely market driven. However the Cooperative prefers to work with other social agencies to increase the value of the offered service. The social value for the cooperative is something that has to be put on the market, thus it represents an added value to their products.
- **Customers:** Customers have a key role in Olinda and their satisfaction is very important. We found different types of clients, not only those interested in social issues: some of them are mainly interested in the price/quality ratio.
- **Public agencies:** their focus is mainly on disadvantaged people because the rehabilitation of such persons is their responsibility. Olinda social objectives allow these entities to employ disadvantaged individuals in concrete activities, so Olinda, in turn, provides a valuable service to them. On the other hand, these institutions also provide a service by enabling Olinda to work in their own spaces and by indicating the disadvantaged people that will undergo rehabilitation processes in these contexts. Thus, the relationship is essentially a co-design limited to the rehabilitation of

disadvantaged individuals. Public agencies do not have a say in the company's financial sustainability or efficiency of its internal processes.

- **Local community:** the local community does not have a strong presence in the life of the social enterprise. The people who live nearby and is usually engaged in volunteering because they share the cause are a minority. In fact many of the volunteers are not residents of the district in which the social enterprise operates. The activity of Olinda increases social welfare by helping disadvantaged people and their families, but also increases the security of the area and try to create a sense of community on a local level.
- **Competitors:** It is a significant number because they are different for each branch of the cooperative activities. They do not have direct interests in Olinda and do not affect the management of the organization if not for pricing. Indeed, Olinda's pricing is set upon those of its local competitors.

In the next step we associated to each stakeholder the performance dimensions most coherent with their information needs. The result is shown in the Table 7.11:

	Specific stakeholders	Dimensions
Internal	BoD, General Assembly, Sector managers, workers, volunteers	Financial sustainability; efficiency; management effectiveness, social efficiency (fairness and inclusion); impact; input value; output value; outcome value
Funders	Banca Etica, other banks, banking foundations	Financial sustainability, social efficiency, impacts
Suppliers	Food and beverage distributors	Input value; output value
Customers	Privates	Management effectiveness; output value
Public agencies	ASL, Social services, Niguarda Hospital, Milan County, City of Milan	Management effectiveness; social efficiency; outcome value
Local Community	Local community (Comasina neighborhood)	Impact; output value; outcome value

Table 7.11: Olinda - Performance dimensions for each stakeholder

The information needs analysis demonstrates, as in the previous previous case, an investors' interest that is mainly focused on financial sustainability. It also shows that internal stakeholders have a strong influence on the company's processes, beyond the public sector that has strong interest for both the effectiveness and impact; the management and organizational part is handled internally. President, Vice President, Board of Directors, disadvantaged workers and the assembly, all of them show a wide interest with respect to all performance dimensions.

7.4.4 The PMS construction

At this stage we built the PMS defining a set of indicators based on Olinda's features and the declared needs for different internal and external stakeholder.

The first version of the PMS was sent to the vice president, who has provided very detailed comments. In particular, he has stressed that the financial indicators proposed were consistent with their management system and the production of social and economic balance. He further suggested to further detail the performance indicators based on the different services and not to focus on individual commodities, but rather on the different targets (bar, restaurant, evening restaurant, catering, etc.). The measure of effectiveness "increase of disadvantaged people" is a misleading indicator because it is not easy to follow its indications as the number of disadvantaged people increase.

He has also suggested to consider a balance between non-disabled and disadvantaged people to ensure the efficiency and quality of the product /service sold. He also stressed the difficulty of measuring the indicators: "Average% of rehabilitation achievements" and "Numbers of drop-outs by disadvantaged people", as many different factors in the field of mental health rehabilitation are involved. Therefore he advised to delete it. Finally he advised to consider not only social cooperatives as suppliers but also the Slow Food producers, who are still to be considered ethical subjects.

The final PMS is the following:

PMS: set of indicators			
7. Financial sustainability		8. Efficiency	
1.1	Total Revenue	2.1	N average meals per service/ N average workers per service
1.2	ROE	2.2	Tot employee costs/ N total meals
1.3	Net Income (Bar-Restaurant-Catering-Hostel)	2.3	Bar Costs (dinner, lunch)/Kg tot raw material
		2.4	Restaurant costs (dinner, lunch)/tot costs rw material
		2.5	Catering costs / tot raw material costs
		2.6	N clients served / Catering costs
1.4	ROI (Bar-Restaurant-Catering-Hostel)	9. Management effectiveness	
1.5	Leverage	3.1	Total number and employee turnover rate
1.6	Cost of capital	3.2	N. of complaints for bar – restaurant
1.7	(Turnover 2010 – Turnover 2009) / Turnover 2009	3.3	N. of complaints for catering
1.8	EBIT	3.4	T average waiting time-Restaurant
1.9	current ratio	3.5	Hostel Score
1.10	Operating working capital	3.6	“Da vicino nessuno è normale” total attendance increase
1.11	Equity / turnover	3.7	Estimated operating costs /actual operating costs
1.12	Social capital increase	3.8	Kg purchased from social coop vs Slow food
4. Social effectiveness		3.9	Tot voluntary hours / tot paid work hours
Involvement		3.10	N neighborhood volunteers / N volunteers
4.1	% participation assembly member	3.11	N disadvantaged workers/N non impaired workers
4.2	Variation members number	5. Social impact	
4.3	workers who became members over time	5.1	% Employees / Local Population
4.4	% increase in social base vs the previous year	5.2	N night openings per week
4.5	N. of board of directors meetings	5.3	N. disadvantaged people hostel
4.6	N. of initiatives for the local community	5.4	Average salary for disadvantaged workers
4.7	N. of workers meetings	5.5	N. disdavantaged people employed after training
Communication Transparency		5.6	Euros saved for years for health agency
4.8	N. missing documents requested by ASL	6. Value of resources	
4.9	N. of public and immediately available documents	6.1	Actual cost of raw materials
4.10	N. of reminders for documentation	6.2	Actual cost of infrastructure
4.11	N. of information requests	6.3	Direct labor costs
Fairness		6.4	% Local workforce
4.12	Governance composition: gender, age group, minority	6.5	Funding composition
4.13	N. of employees, divided by typology, contract...	6.6	% Investment in social services
7. Value of products		8. Value of results	
7.1	N. restaurant meals (lunch, dinner)	8.1	N. disadvantaged people reintegrated
7.2	Tot average hostel guests per year	8.2	N. trainings per year
7.3	Tot average guests “progetto residenzialità” per year	8.3	N. disadvantaged people employed at Olinda
7.4	% Annual increase of catering services		
7.5	% satisfied requests of ASL		

Table 7.12: PMS for Olinda

7.5 *Di Mano in Mano's case*



7.5.1 *Description*

Di Mano in Mano (DMM) is a social enterprise that operates in the district of Villapizzone in Milan and Cambiagio. The organization deals with clearances, restoration, reuse and recycling; everything is managed and developed by the Di Mano in Mano cooperative which preserves the community spirit with which these activities were born. In fact they were initially designed to ensure the financial viability of some households. The business has grown professionally and is well structured in the cooperative, with about 40 members, 4 staff and 30 disadvantage people, represents one of Italy's most important enterprise in this sector. Amongst the workers there are disadvantaged people who are not working-members; instead they are given a chance to complete a rehabilitation program within the cooperative. For this reason, Di Mano in Mano is not a B type cooperative, even if the structure is very similar, but it is a cooperative company. For this reason it works with organizations that deal with disadvantaged people, even if not required by law. Unlike the social co-operatives there are no volunteers.

7.5.2 *Stakeholders analysis.*

Based on the analysis of the available documents, the social annual statement in particular (a corporate sheet describing internal and external stakeholders), we have identified a preliminary list of stakeholders that was refined after a set of interviews with DMM Vice- President.

The stakeholders were classified in accordance with the model proposed, as showed in Table 7.13:

STAKEHOLDER CATEGORY	SPECIFIC STAKEHOLDER
INTERNAL STAKEHOLDERS	
Managers	Board of Directors
	President
	Vice president
	Sectors managers
Member	General Assembly
Workers	Employees
	Member employees
EXTERNAL STAKEHOLDERS	
Funders	Banks
Customers	Private citizens
	Social cooperatives
	No profit associations
Suppliers	Raw and auxiliary materials
Beneficiaries	Disadvantaged people
	Environment
Community	Family Community of Network
	Villapizzone community
Environment	Recycling and reuse
Government - public	Municipality of Milano
	Health Agency
	Social Services agency
Competitors	Auction houses
	Second-hand markets

Table 7.13: Di Mano in Mano - the specific stakeholder chart

List of key stakeholders that have emerged from the interview with the Vice-President:

- The Board of Directors
- The Employees
- General Assembly
- The members
- Beneficiaries: the trainees disadvantaged people
- The Funders: Banks
- The customers: Private citizens
- Partners: Social cooperatives, "Oppi" No profit associations, Family Community of Network, Charities
- The environmental
- Public entities: Municipality of Milano, Health Agency, Social Services agency

- The local community: Family Community of Network, Villapizzone community

Based on the interview, we were able to detail the dynamics of the cooperative and extrapolate the different roles of stakeholders. The first key output is the company's wide network of partners. In fact, "Di mano in Mano" is divided into 3 cooperative that have different tasks:

- The main Cooperative, Di Mano in Mano (DDM), which deals with clearances and used material.
- DMM Services, which runs the accounting for the main cooperative
- DMM solidarity, which deals with gardening and other services in the area.

In addition, the main cooperative is working closely with six main family communities. The relationship with this communities is very strong, and mostly because many of the people working in the cooperative and many disadvantaged people are members of the communities themselves.

Another key institution is the Oppie Association, nationally accredited for training. This association provides scholarships through which disadvantaged people access a rehabilitative training within the cooperative. The City itself often co-finances the work grants for these subjects.

The disadvantaged people are not considered as working-members but trainees undertaking a temporary location within the cooperative. "Di Mano in Mano" is not a cooperative of professional integration, although it has a large number of disadvantaged people currently the training. These subjects are generally people with social problems, prisoners, former prisoners, troubled young people. The success of the rehabilitation is assessed by social services that often send such persons to the cooperative.

A key issue, as highlighted by the Vice President: *"... we don't depend on public funding, we have our own business, our goal is to keep our activity economically sustainable and include disadvantaged people at the same time"*

The workers are mostly members. It is important to underline how the retribution is not fixed, but differs according to the amount of time that each employee spends in the cooperative. Low salaries are integrated by a common fund provided by the Family Community. This integration does not affect the cooperative's financial sustainability.

Main clients are private citizens; the cooperative also sells to low income clients by offering recovered products at lower prices. Often charities and local parishes send low income families, typically when they need to furnish the house.

Analyzing the internal processes, the vice president underlines how the board of Directors designs the strategies and advises the different equipes for their implementation; The activity of the cooperative is therefore divided in sectors: furnishing, clothing, books, electronics, objects, sales and flea market

Again we highlight the absence of voluntary work.

7.5.3 The information needs

The interview and the documental analysis allowed us to portray the informative needs of different stakeholders' categories. Based on these information we again defined the categories, that shows the high importance of internal stakeholders, partners, beneficiaries and clients.

We summarize in the following the information needs of salient stakeholders:

- **Internal Stakeholders:** Following the inspiring philosophy of cooperation on which the cooperative is based, all of these stakeholders have the same importance: they participate in the company's life and share the same goals and strategies. All workers are members involved in the organization's management, with different tasks. Therefore the BoD, General Assembly, workers, sector managers, all of them are interested in achieving the financial sustainability, efficiency, customer satisfaction, product quality, quality of the work place, the working reintegration, the social impact.
- **Partners:** The Family Communities network and the other cooperatives affect the company's life and therefore synergy between each actor is a key issue. These stakeholders are interested in the wellbeing of workers, in the financial sustainability and social impact.
- **Beneficiaries:** Beneficiaries are the disadvantaged workers currently under training. Some of them come from prison facilities, other from juvenile

correctional institutes. We consider them as a special category, interested itself in the quality of the work place and the involvement in reintegration processes.

- **Funders:** The relationship between Di mano in Mano Cooperative and banks are not frequent. The organization turned to banks for the purchase of a shed, eventually acquired through a mortgage, and to receive financial support for operations through wire transfers and bank guarantee. This relationship is purely commercial, and the information to be provided is the same requested to for profit companies.
- **Suppliers:** The company has different suppliers but none of them affect the business management. They are chosen upon the quality/price ratio but suppliers already socially engaged are preferred. The relationship between the cooperative and these actors is market driven and therefore they are only interested in financial sustainability.
- **Customers:** The client is a very important stakeholder because it affects the business management. They are private citizens with different needs; some of them have a low purchasing budget and therefore the range of products offered have a different pricing. Clients are thus interested in product quality and accessibility.
- **Environment:** This stakeholder deeply affects the life of the cooperative, the entire organization is oriented towards environmental protection and have as ultimate goal the reuse of items considered as waste. Therefore the environmental impact is an indicator to be measured.
- **Public Agencies:** Public Agencies that have a relationship with the cooperative are mainly social services which indicate the disadvantaged subjects who need to undergo rehabilitation processes at Di Mano in Mano. Their information need depends on the success of those processes. We remind that DDM is not a type B cooperative and therefore does not have to employ disadvantaged people.

- **Local Community:** The cooperative have relationships with the local communities in terms of clients and local parishes that promote its activities. These actors do no task for specific information but are very sensitive to product quality, the quality of the reintegration processes and environmental protection.

In the next step we associated to each stakeholder the performance dimensions most coherent with their information needs. The result is shown in the Table 7.14:

	Specific stakeholders	Dimensions
Internal	BoD, General Assembly, Sector managers, workers,	Financial sustainability; efficiency; Management effectiveness, Social effectiveness (fairness and inclusion); impact; input value; output value; outcome value
Partners	Family Communities network, Cooperatives, Association, Charities	Financial sustainability; Management effectiveness; Social impact
Beneficiaries	Disadvantaged workers	Management effectiveness, Social effectiveness; Value of product, Value of results
Funders	Banks	Financial sustainability
Suppliers	Materials	Financial sustainability
Customers	Privates	Social effectiveness; value of product
Environment		Impact
Public agencies	Municipality of Milano, Health Agency, Social Services agency	Social effectiveness, Value of results
Local Community	Local community: Family Community of Network, Villapizzone community	Social effectiveness ; Impact; value of product; value of results

Table 7.14: Di Mano in Mano - Performance dimensions for each stakeholder

The table shows that, as in other cases, the different stakeholders consider relevant different information sets. Emphasizing once again that the s and suppliers are only interested in financial performance. The local community gives particular attention to social effectiveness, the value of products and results and environmental impact. The internal stakeholders (BoD, manager) are interested in a wider range of performances. They care of the financial sustainability of the company, but they are also interested in impacts, management and social effectiveness and consistency of

the results with the mission of the SE. The beneficiaries are interested to effectiveness and the results related to the reinstatement process. Other important category is the Partners that consider relevant the financial sustainability and also the social impact.

7.5.4 The PMS construction

In next stage we built the PMS defining a set of indicators based on the features of the SE and the declared needs of different internal and external stakeholders by the president. The result was sent to Di Mano in mano's Vice-President for approval. He validated all proposed indicators.

The final PMS is the following:

PMS: set of indicators			
1. Financial sustainability		2. Efficiency	
1.1	Total Revenue	2.1	Cost of maintenance facilities
1.2	Net Income	2.2	Productivity value/ total work hours
1.3	ROE	2.3	Total cost clothing / clothes sold tot
1.4	ROI	2.4	Total furniture costs / total units sold
1.5	Leverage	2.5	Total Cost field books / total books sold
1.6	Cost of capital	2.6	Total cost electronic / total units sold
1.7	(Turnover 2010 – Turnover 2009) / Turnover 2009	3. Management effectiveness	
1.8	EBIT	3.1	N. of complaints for sectors
1.9	Current ratio	3.2	N. of requests for payment to suppliers
1.10	Operating working capital	3.3	N. of requests for payment to customers
1.11	Equity / turnover	3.4	N orders budgeted/actual orders
1.12	Social capital increase	3.5	N disadvantaged workers/N non impaired workers
4. Social effectiveness		3.6	Average time called - clearance
Involvement		3.7	% unsold pieces
4.1	% participation assembly member	3.8	Estimated operating costs /actual operating c.
4.2	% increase in social base than the previous year	3.9	Estimated period costs /actual period costs
4.3	N. of board of directors meetings	3.10	Variation members number
4.4	N. of workers meetings	3.11	Total number and employee turnover rate
4.5	N. of workers and board meetings	3.12	% increase of agreements with health agencies
Communication Transparency		5. Social impact	
4.6	N. missing documents requested by Public Agencies	5.1	Investment environment protection expenditures / total expenditures
4.7	N. of public and immediately available documents	5.2	Tons recovered material destined to discharge
4.8	N. of reminders for documentation	5.3	Number clearance required
4.9	N. of information requests	5.4	Euros saved for prison administration
Fairness		5.5	Euros saved for health agency
4.10	Governance composition : gender, age group, minority	5.6	Average salary for disadvantaged workers
		5.7	N. disadvantaged people reintegrated
4.11	N. of employees, divided by typology, contract...	5.8	% (disadvantaged workers / total workers disadvantaged in local community)
7. Value of products		6. Value of resources	
7.1	N. local cleared out	6.1	Actual cost of raw materials
7.2	N. furnished rooms	6.2	Actual cost of infrastructure
7.3	N. clothing items sold	6.3	Direct labor costs

7.4	N. restored furniture	6.4	Funding composition
7.5	N. appliances sold	6.5	% raw materials purchased from other cooperatives
7.6	% satisfied requests of clients (clearance, sale)	6.6	% Investment in social services
7.7	% satisfied requests of Health agency	8. Value of results	
7.8	% satisfied requests of Public adm.	8.1	N. trainings for disadvantaged
		8.2	Total recycled wood
		8.3	Total recycled paper
		8.4	Total recycled iron
		8.5	Total other recycled metals

Table 7.15: PMS for Di Mano in Mano

7.6 Efrem's case



7.6.1 Description

EFrem (Energy Freedom), a SE operating in Burundi, Kenya and Ivory Coast

EFrem mission is to increase renewable energy knowledge in Third World Countries (Burundi, Kenya and Ivory Coast). To this scope, EFrem provides training services dedicated to:

- technicians of photovoltaic plants and
- local trainers that, in turn, train local technicians of photovoltaic plants in the three areas of intervention.

Technician training concerns the installation of a photovoltaic (PV) panel, safety measures and maintenance and repairing procedures of PV systems. Training for trainers consists in both theoretical lectures and practical applications with the aim of providing the prospective teachers the necessary skills to hand their knowledge to the local participants.

In addition to training activities, EFrem carries out projects focused on renewable energy, with the aim of creating job opportunities in poor areas with no electric power available. Some examples of such projects are:

- GRID (General Recharging to Implement Development), that aims to drive the implementation of solar powered systems for charging batteries (mobiles and other items);
- HOASIS' Plan (Holistic Approach Significant to Implement Self-Reliance), that is an evolution of the GRID project, aimed to exploit alternative energy production unit as central engine.

Thanks to these activities, EFrem has recently realized a kit for installing the PV panels (including the panel itself and all the consumables necessary for the installation). EFrem sells this kit to local electricians that participate in training initiatives and that aim to build their own business, local dioceses and private citizens.

7.6.2 Stakeholders analysis.

Based on the analysis of the available documents, we have identified a preliminary list of stakeholders that was refined after a set of interviews with Efrem's and a employee.

The stakeholders were classified in accordance with the model proposed, as showed in Table 7.16:

STAKEHOLDER CATEGORY	SPECIFIC STAKEHOLDER
INTERNAL STAKEHOLDERS	
Managers	Board of Directors
	President
Member	General Assembly
Workers	African employees
	Italian employees
	Local volunteers
	Italian volunteers
EXTERNAL STAKEHOLDERS	
Funder	Italian bishops' conference
	Private citizens
Customers	Local electricians
	Local dioceses
	Private citizens
Suppliers	Sellers of solar panels
Beneficiaries	Local associations (local trainers)
	Local electricians
Community	Local community
Environment	Clean energy
Government - public	Municipality
Competitors	Other association

Table 7.16: Efrem - the specific stakeholder chart

List of key stakeholders that have emerged from the interviews:

- President
- Italian employees
- African employees
- Italian and local volunteers
- Italian bishops' conference
- Private citizens

- Private foundations
- Public agencies
- Local associations (local trainers)
- Local electricians
- Sellers of solar panels
- Environmental
- Local dioceses
- Private citizen
- Local community

As stated, we added Private foundations and Public agencies amongst the s.

After the interview with the president we decided to consider the private citizens as customers.

We excluded the competitors, the work of other associations doesn't influence the EFrem dynamics.

Also the Public Government play only the founder role trough the Public agency.

In particular, we clarify the different roles of stakeholder:

- The beneficiaries of EFrem activities are differentiated too: they include both local associations and local electricians.
- The local associations are involved in the management of training activities in specific areas (i.e. local trainers). They play an important role in promoting the diffusion of PV panels among the local communities and encouraging the participation to the training program among local electricians.
- Local electricians, in turn, aim to learn how to install and maintain PV panels. Local electricians are both beneficiaries, since they have the opportunity to participate to training courses without paying any fee, and customers, since they can buy from the solar kit to develop their own business.
- Other customers include also the local dioceses and private citizens, that can buy the solar panels to grant access to energy to their communities and tribes.
- As concerns the internal stakeholders, EFrem employees both Italian and African workforce, hence dealing with different perspectives and labor requirements. In particular, the African employees are expected, in the long term, to change their role, developing their own SE to provide training and assistance services to the local communities. They coordinate the local

associations and they keep the contacts with the suppliers of PV panels, that will be installed by the local electricians.

- The local community is an indirect beneficiary, since it benefits from the social improvement determined by EFrem activities; whilst the local political groups don't have any role in the SE activities, they are involved neither directly nor indirectly.

7.6.3 The information needs

The interview and the documental analysis allowed us to portray the informative needs of different stakeholders' categories. Based on these information we again defined the categories, that shows the high importance of internal stakeholders.

We summarize in the following the information needs of salient stakeholders:

- **Internal Stakeholders:** the internal stakeholder are President, general assembly, Italian employees; African employees and Italian and local volunteers. The president is interested in financial sustainability, productivity, beneficiaries' satisfaction, service quality, service accessibility, communication, involvement of beneficiaries and employees, transparency and communication with partners. The Italian employees consider relevant the financial information and services quality, the African employees are more interested in service quality, service accessibility and costs, community involvement and in communication initiative. The Italian and local volunteers take into account the improvements of life conditions in the local community, community involvement and funding composition.
- **Beneficiaries:** Beneficiaries are the local electricians, local association. We consider them as a special category, interested itself in the service quality, service accessibility, employment prospective, kit cost and product quality.
- **Funders:** the Funders shares the Efrem's mission, for this reasons they are interested in improvements of life conditions in the local community, project completion, level of activity, service accessibility and quality, governance model and obviously in the financial sustainability, in particular related to the funding composition and revenues.

- **Suppliers:** The sellers of solar panels are interested in selling price of PV panels, level of activity, communication initiatives, diffusion of PV panels.
- **Customers:** The Local electricians are also the clients with the local dioceses, private citizens. They consider relevant the kit cost and the product quality.
- **Environment:** This stakeholder deeply affects the life of the association, the entire organization is oriented towards the increasing renewable energy knowledge in Third World Countries. Therefore the environmental impact is an indicator to be measured.
- **Local Community:** the community is interested in service quality, service accessibility, improvements of life conditions in the local

In the next step we associated to each stakeholder the performance dimensions most coherent with their information needs. The result is shown in the Table 7.17:

	Specific stakeholders	Dimensions
Internal	President, General Assembly, Italian employees; African employees; Italian and local volunteers	Financial sustainability; efficiency; Management effectiveness, Social effectiveness (fairness and inclusion); Impact; Value of resources Value of products, Value of resources
Beneficiaries	Local electricians, local associations,	Management effectiveness; Social effectiveness Impact
Funders	Italian bishops' conference, Private citizens; Private foundations; Public agencies	Financial sustainability; Efficiency; Management effectiveness; Value of resources; Impact
Suppliers	Sellers of solar panels	Financial sustainability
Costumers	Local electricians; Local dioceses, Private citizens	Management effectiveness; Fairness
Environment		Impact
Local Community	Local community	Management effectiveness, Social effectiveness Impact

Table 7.17: Efrem - Performance dimensions for each stakeholder

The above analysis shows the set of information considered relevant by each stakeholder. The s are interested in financial performances, but also, differently from other cases, in service quality, funding composition and impact. Beneficiaries and customers are concerned with service quality and accessibility in term of cost and fairness (equal access to minorities). Suppliers are mainly concerned about the economic variables. The local community gives particular attention to social effectiveness and impact. On the other hand, the internal stakeholders (employees and voluntaries) are interested in a wider range of performances. They care of the financial sustainability of the company, but they are also interested in impacts, management and social effectiveness and consistency of the results with the mission of the SE. Finally, the social entrepreneur, EFrem President and other internal stakeholder, are interested in achieving an overall and complete picture of the SE performance in relation to different dimensions.

7.6.4 The PMS construction

In next stage we built the PMS defining a set of indicators based on the features of the SE and the declared needs of different stakeholders. The result was sent to Efrem's President for approval. He validated all proposed indicators.

The final PMS is the following:

PMS: set of indicators			
1. Financial sustainability		2. Efficiency	
1.1	Total Revenue	2.1	Operating costs
1.2	Net Income	2.2	Operating income / loss
1.3	ROE	2.3	Number of training hours per year / number of employee
1.4	ROI	2.4	Number of training hours per year / funding
1.5	Leverage	3. Management effectiveness	
1.6	Cost of capital	3.1	% of services realized against services planned
1.7	(Turnover 2010 - Turnover 2009) / Turnover 2009	3.2	% of successfully completed projects
1.8	EBIT	3.3	Beneficiaries' satisfaction level
1.9	Current ratio	3.4	Number of electricians trained
1.10	Operating working capital	3.5	Number of training hours per year / electricians
1.11	Equity / turnover	3.6	% of beneficiaries who complete the training
1.12	Social capital increase	3.7	Total funds collected
4. Social effectiveness		3.8	Revenues amount per project/ intervention
Involvement		3.9	Product quality
4.1	% participation assembly member	3.10	Tot voluntary hours / tot paid work hours
4.2	% increase in social base than the previous year	3.11	African emplees/Italian employees
4.3	Number of stakeholders actively involved in the monitoring of the project results	5. Impact	

4.4	N. of workers meetings	5.1	N. and percent of people who can access energy thanks to EFrem activities
4.5	N. of workers and board meetings	5.2	N. of active volunteers of the local community involved in the service management
Communication Transparency		5.3	N. of participants employed after a year
4.6	N. of requests for clarification from Public agency, funders	5.4	Level of competencies developed in the trainee (Mean time to repair a solar panel)
4.7	N. of public and immediately available documents	5.5	N. of solar panels installed
4.8	N. of reminders for documentation	5.6	Kwh clean energy produced
4.9	N. of information requests	6. Value of resources	
Fairness		6.1	Actual cost of raw materials
4.10	Governance composition : gender, age group, minority	6.2	Actual cost of infrastructure
4.11	N. of employees, divided by typology, contract...	6.3	Direct labor costs
4.12	Kit cost	6.4	Funding composition
7. Value of products		6.5	% Investment in social services
		8. Value of results	
7.1	Percentage of training demand covered (by country)	8.1	N. trainings for local electricians
7.2	% satisfied requests of clients	8.2	Level of awareness concerning renewable energy in the area of intervention
7.3	% satisfied requests of local association		

Table 7.18: PMS for Efrem

7.7 Conclusion

The objective of this final chapter was to apply the proposed model in different social enterprises.

First, the application of the model in the five analysed cases shows that the PMS actually allows SEs to monitor their results in relation to different performance dimensions, hence answering to the need of these of these organizations to keep different aspects under control. In the cases, this peculiarity emerges clearly from the association of specific performance dimensions to each stakeholder, whereby it becomes clear that different stakeholders are interested to different aspects of SEs' results, with some key actors that need a more holistic view. Moreover, the model includes the stakeholders' perspective in each stage of development of the PMS, defining the set of indicators based on their information needs.

Second, the cases demonstrated the actual applicability of the model. The methodology resulted not too difficult to apply; different stakeholders showed to have

easily understood the functioning of the approach and appreciated the ability of the model of providing synthetic information related to either specific performances dimensions, or all the performance dimensions, or dedicated dashboard for a specific stakeholder.

We posed particular attention to understand the ability of the model to meet the information needs of SEs with different specificities in term of organizational structure, sector of activity and level of involvement of external and internal stakeholders. The information flows start from the internal stakeholder to reach the external actors, this process ensures the reliability of the final information (though it is strongly dependent on the quality of the actors involved in building the PMS).

The third point deals with the reliability of the indicators. We defined the set of indicators based on the needs of each SE and its stakeholders. Hence, the final set of indicators captures the features of each specific enterprise. This emerges clearly considering that only the indicators related to the financial sustainability are the same for each cases and the indicator related to involvement, fairness and communication are similar because they represent a process that can be the same for each enterprise. The other indicators are strictly connected with the enterprise mission and characteristics.

For example the indicators of management effectiveness depend by the activities typology, as shows with some example in the table:

Enterprise	Activities	Management effectiveness indicator
Cedis	Electricity production and distribution	N. signaling malfunction
Cantieri del Sole	Marketing and installation of energy saving technologies and renewable energy	N. of complaints for solar panel installed for year
Olinda	Social reintegration of disadvantaged people	N. of complaints for catering
Di mano in mano	Clearing out , restoration, reuse and recycling	Average time called - clearance
Efrem	Training services dedicated to technicians of photovoltaic plants	N. of electricians trained

Table 7.19: Example the indicators of management effectiveness for each case

The set the indicators for consistency and impact are connected to the mission of SE:

Enterprise	Mission	Impact indicator	Consistency indicator
Cedis	Development local territory	N. families connected to Internet / N. local families	% satisfied requests of members
Cantieri del Sole	Working Integration and environmental protection	KWh installed of clean energy	% materials with low environmental impact
Olinda	Creation employment opportunities for disadvantaged people	Euros saved for years for health agency	N. disadvantaged people employed at Olinda
Di mano in mano	Environmental protection	Tons recovered material destined to discharge	Total recycled wood
Efrem	Increasing renewable energy knowledge in Third World Countries	N. of participants employed after a year	Level of awareness concerning renewable energy in the intervention area

Table 7.20: Example the indicators of consistency and impact

Moreover there are indicators that are directed to several stakeholders, and indicators that have been tailored to the informative needs of a more limited number of stakeholders. In general the funders and the suppliers consider relevant only the financial sustainability, the relationship is purely commercial, and the information to be provided by SE is the same requested to for profit companies. In some cases, as the Efrem's case, the funders share the mission and are interested in the social results, then in the social effectiveness and impact indicators. The beneficiaries are interested in specific indicators connected to the services that they received and the voluntary consider relevant in general only the social aspects. The president, vice president and managers are interested in achieving an overall and complete picture of the SE performance in relation to different dimensions.

In the figure we summarize the number of indicators for each dimension associated to different Ses, the figure points out that the number of financial sustainability indicators is the same, while those related to social dimensions have some differences, obviously the number of indicators is dependent also on the enterprise size.

	<i>CediS</i>	<i>Cantiere del Sole</i>	<i>Fabbrica Olinda</i>	<i>Di Mano in Mano</i>	<i>EFrem</i>
Financial sustainability	12	12	12	12	12
Efficiency	5	6	6	6	4
Management effectiveness	11	12	11	12	11
Social effectiveness					
Involvement	5	5	7	5	5
Communication Transparency	4	4	4	4	4
Fairness	3	2	2	2	5
Social impact					
Social impact	5	7	6	8	6
Value of resources	6	6	6	6	5
Value of products	6	6	5	8	3
Value of results	3	3	3	5	2
Total indicators	60	63	62	68	57

Figure 7.2: The number of indicators for each dimensions for each enterprise

Moving to the effort required for the implementation of the model, time needed for data collection and construction of the PMS depends strongly to the stakeholders' availability. However, after the analysis of the information needs the time required for the definition of PMS is relatively limited. The overall process lasted on average 4 months.

Finally the feedbacks collected by key actors, that are supposed to be also the key users of the PMS - the President and/or Vice president - underline the capacity of the model to respond their necessity. They judged the model to be complete, accurate and easy to use. In addition, they showed the intention to replace their PMS with the model proposed or, at least, to complement the system in place, with the set of indicators developed with this research.

8. Conclusions

This research addressed the problem of developing a model for measuring performances in SEs.

8.1 *The issue*

The growth in social entrepreneurship globally over the last decade has been impressive (Defourny and Nyssens 2008) there has been a general belief that social entrepreneurship is a “good thing”, social enterprises (SEs) have been proposed as a potential response to some critical problems of our society, with relevant expected impact in term of social value creation. However, the actual contribution of social entrepreneurship to socio economic development is far from being demonstrated.

In addition, these organizations position themselves somewhere in between the traditional non-profit and for-profit organizations (Alter, 2004) and similar to for profit companies have to ensure their economic sustainability with market oriented activities and fund rising. From this stems the need for implementing managerial tools that could help these organizations to monitor their performances.

Despite the existence of several definitions of SE, we have pinpointed two specificities that can be used to characterize the essence of a SE: SEs are

(1) multi-objective organizations – i.e. SEs achieve with equal priority the economic objectives related to their entrepreneurial nature, social objectives related to their specific mission of producing benefits for the community and environmental objectives.

(2) with a multi-stakeholder governance – i.e. SEs are highly participative in nature and are characterized by a constant involvement of internal and external subjects in their strategic choices. This kind of involvement is essential (i.e SE can't do without) to understand the real needs of the context. (Defourny, 2001; Nyssens, 2006; Weerawardena, 2006).

In this research, these characteristics have been considered crucial aspects for the development of strategic and operational design of PMS for social enterprise.

8.2 Research articulation

The research was articulated into five steps.

First step: key requirements of a PMS for SEs

The first step consisted in development an exploratory survey aims to define the information needs of Italian SEs. Based on the survey results and the literature analysis related to the distinctive features of SEs, we defined the characteristics to which the PMS for SEs has to respond:

- a) Completeness - to represent the different aspects of the business: Multi-purpose, multi-stakeholder, strong consistency with the social mission
- b) Selectivity - to capture the relevant aspects: economic, social, environmental
- c) Ability to identify the specific responsibilities - to measure the performance indicators for each organizational units and for areas and projects
- d) Measurability - to associate to each performance one indicator objectively detectable
- e) Reliability and accuracy - to follow the dynamics of the organization: evolution and rapid changes of SE to respond to social needs
- f) Dynamism - to correctly assess the impact of performance monitored with respect to the overall objectives - measurable and credible data
- g) Simplicity - easy to use, comprehensibility
- h) Timeliness - the ability to quickly provide the information requested.

Second step: the state of the art in the literature

The second step consisted in the literature analysis, where we analyzed the strengths and weaknesses of the existing tools proposed to measure SE value.

Considering that these methods didn't respond completely to the PMS characteristics identified above, we based on three different streams of literature for the creation of an ad hoc performance measurement system for SEs The three streams are

- the third sector literature on performance management
- the public sector literature on performance measurement
- the literature on sustainability reporting in the for profit sector

Third step: the proposed model

Then, we proposed an approach to guide the development of a performance measurement system (PMS) for SEs. The approach is based on specific SE features, the PMS characteristics defined in the step one and the results of the literature analysis. We first defined the overall model – i.e. the performance dimensions that should constitute the framework for measuring performances in a SE. Second, we defined the steps that should be followed to enact the framework and develop a PMS. The output of the third step was the design of a conceptual approach for the development of the model.

Fourth step: preliminary validation

The fourth step was a conceptual validation, to test the model ability, from a theoretical point of view, to meet the PMS requirements for SEs and to test the model capacity to meet the information needs of potential users, through the measuring units defined. The conceptual validation was carried out by discussing the model with two panels of experts (four international expert and five potential users). The discussions with experts have allowed us to validate the model's effectiveness in answering the SEs PMS specifics and the performance dimensions were confirmed by the examined potential users.

Final step: the model in action

Finally we implemented the model in 5 Italian social enterprises.

For each case, we identified the specific characteristics, the information needs of each stakeholder and we associated to each stakeholder the performance dimensions most coherent with their information needs, finally we built the PMS defining a set of indicators coherent with the specific context in which the SE competes and we collected the feedbacks from key actors. The cases results validated the model applicability in different social enterprises. Indeed the five analysed cases shows that the proposed model allows SEs to monitor their results in relation to different performance dimensions. Moreover the model insert the stakeholders perspective in each stage and define the set of indicators based on their information needs in this way the model internalizes the multi-stakeholder nature and ensure the indicators reliability.

8.3 Strengths and weaknesses of the proposed approach

As follows, We discuss the strengths and weaknesses of the proposed approach.

Strengths:

We analyse the strengths of the proposed approach in relation to its ability to respond to the key requirements of a PMS:

- Completeness: the model analyzes the internal and external processes, integrates the objectives for each phase, measures the outcome level and the effects in the long term and through the consistency dimensions, the model controls the coherence between the company's mission and its goals. It also integrates each stakeholder's perspective in every stage of the process.

- Selectiveness: the model captures the financial, social and environmental aspects through the dimensions defined, as demonstrated by the model implementation.

The model is able to identify the specific responsibilities, the PMS measures the performance indicators for organizational units, areas and projects coherently with the SEs features.

- Measurability: the proposed PMS defines in details the construction of a set of indicators to be associated with every performance, for each case we defined an average of 60 measurable indicators .

- Dynamism: this characteristic is important because SEs, similarly to profit organizations, operate within a dynamic system, in which the importance of different elements can fluctuate over time: the validity of an issue or indicator may be altered by external disturbances such as the emergence of a new competitive dimension, the enactment of a new law, the depletion of resources or an accumulation of undesirable products. When such changes occur, the information needs of stakeholder change, the set of indicators associated automatically is modified.

- Reliability and accuracy: the SE overall and specific objectives are represented by the stakeholder perspective, PMS correctly assesses the impact of performance monitored with respect to the all information needs through measurable and accurate data, as show in the implementation results.

- Simplicity: the methodology and time of implementation and the stakeholder feedbacks have demonstrated that the PMS is easy to use and comprehensible.

- Timeliness: the PMS has the ability to quickly provide information requested, as shown for each case the model can provide synthetic information related to each performances dimensions, all dimension or if required the dashboard for each stakeholder.

Weaknesses:

The principal weakness is related to the time required for involving different stakeholders in the development of the PMS. As shown by the field test in the five cases, the collection of the information needs of different parties involved (and in particular the external stakeholders) is subject to their availability.

Second, at present we focused on the development of PMS tailored to the specific characteristics of the SEs analysed, paying lower attention to the definition of standard sets of indicators that could be applied in certain industry sectors. This could become an avenue for future research as discussed as follows.

8.4 The academic contribution

From an academic perspective, the thesis can extend the current literature from different points of view. First, the issue of SEs is largely unexplored (Marks and Hunter, 2008), and this paper contribute to shed some light on the characteristics of these organizations and their relevant performance dimensions.

Second the final set of indicators covers the performance dimensions, that emerge as relevant factors from the state of the art literature in the field, indeed SE academic researchers have already recognized the relevance of developing tools to measure the value creation through objectively detectable indicators that could give a complete and reliable picture of SEs performances (Kendall & Knapp, 2000a; Bull & Crompton, 2006; Marks, 2008). This work goes into that direction. Third, the thesis represents one of the few attempts to develop a managerial tool for SEs, making a connection among research in NPVO, research in sustainability and business ethics, and research in production and operations management, where attention of researchers tended to concentrate on models to improve operational efficiency and effectiveness of profit organizations.

Finally, compared to existing models, the proposed approach has been both developed conceptually and tested empirically, proving its completeness and validity.

8.5 The managerial contribution

From a practitioner perspective, this work aims at developing a practical tool, to be implemented in these organizations. As previously discussed, the existing models are not easily applicable to SEs due to the specificities of these organizations. This thesis provides a concrete guidance to build a PMS that answer to SE characteristics. As declared by the expert "The tool is simple, intuitive and easy to use. It provides the controller with the measurement dimensions for the indicators choice. It does so drawing on the specific characteristics of the company and its stakeholders". Moreover we have before stressed the need for SEs to prove efficiency and demonstrate accountability and transparency (Young and Salamon 2002) and the need of adapt the management ideas to social enterprises (Paton 2003), the model respond to these requirements and the referents of the five Italian SEs have declared that the PMS is useful and the most of the proposed indicators are consistent.

8.6 Limitations and future research

In the end, we discuss the main limitations of the present work and the areas for future development. As regards the conceptual approach, it is important to highlight that the quality of the results is directly dependent on the quality of the actors involved in building the PMS. Given the role played by the stakeholders, the effective completeness, reliability and relevance of the set of indicators is determined by their actual participation and their competencies. It is therefore important to make the selection and qualifications of the stakeholders to be involved in the process as transparent as possible. As underline in the weaknesses analysis this process ensures the completeness of the model but at the same time involves lengthy time for the information collection, in particular the part related to the involvement of external stakeholder. The cases have demonstrated that often the information needs of external stakeholders are well understood by internal stakeholders.

Therefore future research could make an attempt to standardize the information needs e the related association of the indicators and extend the empirical work to others SEs, with different characteristics in term of range of activities performed, governance structure (i.e. role and relationships among the stakeholders),

geographical location, for instance international SEs, not only Italian cases. From this perspective, future research could focus also on the development of operational protocols for each indicators to allow reliable measures and comparability.

Finally, there are increasing pressures from different subjects (e.g. EU commission, social investment funds, and Foundation Strategy Group - FSG 2011) for developing synthetic measures of SE value (Nicholls, 2009). In particular, recently, private and public funders have shown a specific interest in the so called "impact investing" system, as declared Simon (2010): "Will the emergence of a new kind of investment and new class of investor that aims for social impact in addition to financial returns bring new ideas and new sources of capital. There is much talk about impact investing...". The creation of a PMS is a first step to allow to evaluate SEs economic contribution, however much work is needed to translate these indicators in a synthetic measure. Future steps of the research could focus on trying to standardize the process and create a synthetic index representative of the indicators set proposed without losing the approach completeness.

Annex 1: Questionnaire survey

General informations

Company Name: _____

Legal Form:

- | | |
|---|--------------------------------------|
| <input type="checkbox"/> Recognized Association | <input type="checkbox"/> Partnership |
| <input type="checkbox"/> Not Recognized Association | <input type="checkbox"/> Corporation |
| <input type="checkbox"/> Foundation | <input type="checkbox"/> Cooperative |
| <input type="checkbox"/> Committee | <input type="checkbox"/> Consortium |

Foundation year: _____

Organizational structure:

- | | |
|---|--|
| <input type="checkbox"/> Independent organization | <input type="checkbox"/> Business Unit internal to a corporation |
|---|--|

Sector of the organization:

- | | | |
|---------------------------------|------------------------------------|---------------------------------|
| <input type="checkbox"/> Profit | <input type="checkbox"/> No-profit | <input type="checkbox"/> Public |
|---------------------------------|------------------------------------|---------------------------------|

Countries of intervention: _____

The organization operates primarily:

- | | |
|--------------------------------------|--|
| <input type="checkbox"/> By projects | <input type="checkbox"/> Continuous activity |
|--------------------------------------|--|

Area in which the organization operates:

- | | |
|--|--|
| <input type="checkbox"/> Social Assistance | <input type="checkbox"/> Cultural Heritage protection |
| <input type="checkbox"/> Health care and social services | <input type="checkbox"/> University education |
| <input type="checkbox"/> Education | <input type="checkbox"/> Extracurricular training |
| <input type="checkbox"/> Learning | <input type="checkbox"/> Social tourism |
| <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Instrumental services to social enterprises |
| <input type="checkbox"/> Other
(specify): _____ | |

Representation of stakeholders in governing bodies:

- | | |
|--|--|
| <input type="checkbox"/> Community _____ % | <input type="checkbox"/> Suppliers _____ % |
| <input type="checkbox"/> Staff _____ % | <input type="checkbox"/> Banks _____ % |
| <input type="checkbox"/> Beneficiaries _____ % | <input type="checkbox"/> Investors _____ % |
| <input type="checkbox"/> Public bodies _____ % | <input type="checkbox"/> Other: _____ % |

Main sources of funding:

- | | |
|--|--|
| <input type="checkbox"/> Public bodies _____ % | <input type="checkbox"/> Projects funded _____ % |
| <input type="checkbox"/> Donations _____ % | <input type="checkbox"/> Grants _____ % |
| <input type="checkbox"/> Businesses _____ % | <input type="checkbox"/> Other: _____ % |

Invoiced year 2009 (in Euro): _____

Number of employees (at 31/12/2009): _____

Contact: _____

e-mail: _____

Role of contact:

- Production manager (services or products)
- Project Manager
- Other
- Corporate Strategy Manager
- Social entrepreneur

(specify): _____

Certifications obtained:

- ISO 9001
- ISO 14001
- Other: _____

Networks to which the organization participates:

For each of the indicators listed below, please indicate:

- if it finds in your organization,
- what are believed to be significant (1 = not at all important, 2 = insignificant, 3 = on average significantly, 4 = very significant, 5 = essential)
- what is believed to be difficult or expensive to measure (1= very simple, 2 = simple, 3 = average difficulty, 4 = very difficult, 5 = impossible)
- If these indicators have been adopted, the measurement methodology adopted.

Thank you in advance for your cooperation.

1. Motivations to configure themselves as Ses

- For the affinity with the goal of being socially useful
- Because it's a sustainable way to create social benefit
- For the adequacy of the organizational structure for your needs
- For regulatory reasons
- To access funding
- To get tax breaks

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

2. Revenues (sales) and operating costs (staff, materials and other operating expenses)

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

--

3. Salaries and wages for staff

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

--

4. Payables and receivables credits (real possibility of debt collection)

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

--

5. Rate of profits reinvested in social activities than those distributed to shareholders / staff

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

--

6. Funds raised (donations and financing)

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

--

7. Duration and the amount of outstanding contracts

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

--

8. Goods bound, or whose use is intended for a specific purpose (funding for specific projects, donations for a particular purpose)

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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9. Productivity of production processes of goods and services (in terms of resources used and the time required for the production/delivery)

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

--

10. % of projects had achieved their objectives

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

--

11. Coverage ratio of the projects, in terms of how the revenue of the projects cover the costs incurred to achieve

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
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Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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12. Customer satisfaction

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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13. Beneficiaries satisfaction (if different from customer)

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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14. Recommendations and complaints from customers over stakeholders

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

--

15. Staff satisfaction

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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16. Turnover of the staff

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
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Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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17. Professional development of staff (training, career advancement)

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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18. Indicators of diversity of staff (gender, age, nationality)

It is measured

Yes	No
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Utility

1	2	3	4	5
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Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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19. Proportion of employees with respect volunteers

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

--

20. Impact of the product/service on community

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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21. Complaints and non-conformities on the product/service

It is measured

Yes	No
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Utility

1	2	3	4	5
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Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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22. % of the main beneficiaries of the activities with respect to all the users involved

It is measured

Yes	No
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Utility

1	2	3	4	5
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Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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23. Relevance of expenditure focused on local suppliers

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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24. Environmental impact of activities undertaken by the organization

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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25. Funds allocated for communication activities

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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26. Accessibility of information organization, in terms of types of available documents and information disclosed

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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27. Level of cooperation with the media, in terms of publishing articles in local newspapers and magazines, participation in radio and TV programs, website

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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28. Share of investments that are directly aimed to achieving the mission of the organization

It is measured

Yes	No
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Utility

1	2	3	4	5
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Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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29. Share of projects whose objectives are closely related to the mission of the organization

It is measured

Yes	No
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Utility

1	2	3	4	5
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Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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30. Agreement of products and services with the objective of the organization

It is measured

Yes	No
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Utility

1	2	3	4	5
---	---	---	---	---

Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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31. Consistency between the results achieved and the strategy of the organization

It is measured

Yes	No
-----	----

Utility

1	2	3	4	5
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Method of measure adopted

Difficulty

1	2	3	4	5
---	---	---	---	---

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Annex 2: Bank stakeholder interview questionnaire

1. Which are the specific financial tools you offer to social enterprises?
2. Which criteria you use to select the social enterprise you want to fund?
3. Which information do you think are relevant when you decide to fund a social enterprise?
 - information about the social mission and social performances
 - date item on the kind of governance
 - information related to the entrepreneurial group
 - financial information
 - information about productiveness/efficiency
 - products and services provided by the social enterprise
 - staff working at the company
4. Do you use measurable criteria that give you the possibility to compare social enterprises or to assign them a grade?
5. What do you mean for "sustainability" from the social enterprise point of view?
6. Do you make an evaluation on the of the social enterprise capacity to be sustainable in time?
 - risk connected to the enterprise that get access to your services, if yes on which information basis
 - social enterprise capacity to have access to public funds or to obtain donations
 - network in which the social enterprise works in or its capacity to create relations for its own sustainability
7. What are, in your opinion, social enterprise results? How do you mean them? How do you measure them?
8. Do you ask the enterprise information during a period of time to evaluate its performances?
9. Do you think there are relevant information that you currently do not collect?

Annex 3: Stakeholder SE network interview questionnaire

1. Which are the main steps to follow for a correct definition of performance indicators?
2. After having defined the mission, how should the stakeholder be considered in order to define the objectives?
3. In which areas it is important to be focused on to find aspect to observe?
4. Are there any KPI applicable to all social enterprises?
5. Please mention some enterprise sustainability measures
6. Are there any aspects of the entrepreneurial group or management that we could try to measure?
7. How could we measure the social enterprise staff satisfaction?
8. Are there any well-established criteria to measure the social value generated by a social enterprise? Are there any system to help out companies to quantify this value and to use this information to raise their development (have access to public funds, increase its reliability)?
9. Is it important to measure social enterprises capacity to build a relation network? If yes, how can we objectively measure it? To whom (stakeholder) and what can this measure be useful for?
10. How much does the social enterprise communication skills are important? Could it be an aspect to be considered in a performance measurement system? Which are the most important results that a social enterprise should measure and publish?
11. Is it important for a social enterprise to measure also its own environmental performance? Do the typical social enterprise stakeholders have any interest in having access to such kind of information? If yes which are the most relevant?
12. What kind of information does a social enterprise should make available to its customers?
13. Which are the financial data to keep mostly under control? How should the investments be measured and evaluated?
14. Is it relevant to measure a social enterprise growth rate? Which are some of the key elements to observe?

Annex 4: Financial backer stakeholder interview questionnaire

1. Why does a shareholder should fund a social enterprise?
2. Which are the most important results that a social enterprise must produce?
3. Do you consider relevant the coherence between those results and the enterprise mission?
4. What relevance do the social enterprise financial results have?
5. Which are the criteria you used to decide which social enterprise to fund?
6. What kind of information do you expect to receive as shareholder from a social enterprise compared to a profit enterprise?
7. Which are the information you use to decide to continue funding a social enterprise?
8. Are there particular cost units or investment information that you would like to be informed by the social enterprise? How much is important their relation with the company mission?
9. What kind of information do you wish to receive regarding the social enterprise governance?
10. Do you consider relevant that the social enterprise proves to be operative?
11. Do you consider important that the social enterprise proves to have an impact according to its mission?
12. Do you consider relevant that the social enterprise proves to be efficient?
13. Do you consider significant social enterprise stakeholders satisfaction?
14. In particular which of the follows do you think are more important?
 - Employers
 - Manager
 - Suppliers
 - Customers
 - Trade associations
 - Government/Public institutions
 - Political groups
 - Communities
15. Which factors you put your trust in regarding social enterprise sustainability and future?
How do you think that could be measured?

Annex 5: Stakeholder employer/manager interview questionnaire

1. Why have you chosen to work for a social enterprise?
2. Is it important for you that the enterprise mission matches to your aspirations?
3. To which information should the enterprise give a feedback to its employees (financial, results, impact, beneficiaries' satisfaction)?
4. Do you think that the enterprise should somehow measure its employees satisfaction? Which aspects do you think should be considered?
5. How much is it important, in your opinion, that the enterprise works effectively?
6. Do you think it is important to have a direct contact to the enterprise beneficiaries?
7. Do you consider relevant in a social enterprise the stakeholder satisfaction?
8. Do you think that comparing the information related to your enterprise with others enterprises information, in the same sector, could give you any motivational benefit? If yes what kind of information would you like to receive?
9. Do you know your enterprise social enterprises evaluation system? If yes which dimensions does it take into consideration?

Annex 6: Questionnaire case example: CediS.

Director

1. Which are CediS mission and main objectives and how do you try to reach them?
2. Which are CediS main stakeholders (internal and external)?
3. Which role do the different stakeholders have?
4. How are stakeholders involved in the enterprise management and (members, employees, municipality, local communities, customers, etc.)?
5. Which information do you give to the different stakeholders?
6. Which information do they require from you? Do you publish any report within or without CediS?
7. Who are your competitors? What kind of relationship do you have with Energy and Gas Agencies?
8. Which are the consortium main funding sources?
9. What information do you publish concerning your environmental preservation activities?
10. How do you manage your human resources? Participation, training, remuneration policy etc.
11. Do you monitor your employees work?
12. How do you manage relationship between CediS and e-CediS society?
13. How do you manage the different sectors you deal with and what kind of autonomy do they have?
14. What performance dimensions do you currently measure? What kind of efforts should be made towards it in your opinion?
15. How do you define long, middle and short-term objectives? How do you analyze then the differences between target values and effective values?
16. Could you please give me some examples of CediS processes in which you think efficiency is particularly important? What about effectiveness?
17. Which are CediS social impacts? Are they defined in the long term planning? Do you measure them somehow?

Innovation, research and development manager

1. Could you please explain me how the research and development division is organized (structure, processes, budgeting etc.)?.
2. Which are the main performed activities?
3. Which information do you think are useful to manage innovation, research and development activities? Do you measure them? If yes, how?

4. Are the results of those activities methodically monitored? If yes how?
5. To whom do you spread those information and how (internal and external stakeholders)?
6. Which information related to other sectors do you think are useful? Do you notice them? How do you monitor innovation into the enterprise framework? Which information do you use?
7. Do you think that efficiency is an important performance regarding innovation, research and development activities?
8. Which performance do you measure in terms of efficiency? What do you think should be measured that currently is not taken into consideration?
9. Which performance do you measure in terms of di social effectiveness? What do you think should be measured that currently is not taken into consideration?
10. Which performances are measured in terms of impact? What do you think should be monitored that currently is not considered?
11. How do you involve internal and external stakeholders into innovation research and development activities?
12. Which are the main stakeholders to whom you interact with? Which information related to them do you think it is important to monitor?

External Stakeholders:

Member (funder and customer)

1. Which results must CediS reach in your interest? Which information do you think are important to receive to prove the enterprise result?
2. Why have you decided to become a member and funder of the consortium? What results do you think are more important, social results or financial results?
3. Do you have any interest on information regarding internal efficiency processes of the consortium?
4. Do you find social effectiveness, that is match between enterprise objective and community's needs, satisfactory? Are you interested in the possibility to measure CediS transparency, fairness and participation level?
5. Would you like to know if the consortium has reached its goals regarding internal management efficiency?
6. Do you think it is interesting to obtain information regarding CediS social impact? Would you like to obtain information to understand if long term objectives towards community have been reached, or if the consortium is on the right way to reach them?

Fundig Banks

1. Which are the differences in the relationships that you have with social enterprises from the one you have with profit enterprises?
2. Which results must CediS reach in your interest? Which information do you think are important to receive to prove the enterprise result?
3. Why have you decided to become a funder of the consortium? Would you like to have information to monitor those selection criteria?
4. If CediS would not achieve expected results will you block your fund?
5. Do you consider important as bank institution to monitor social results?
6. Are you interested in receiving information on consortium internal process efficiency?
7. Do you find social effectiveness, that is match between enterprise objective and community's needs, an evaluation criteria? Are you interested in the possibility to measure CediS transparency, fairness and participation level?
8. Would you like to know if the consortium has reached its goals regarding internal management efficiency?
9. Do you think it is interesting to obtain information regarding CediS social impact? Would you like to obtain information to understand if long term objectives towards community have been reached, or if the consortium is on the right way to reach them?

Suppliers (BM Ellettronica spa –Solar Pannel-, a2a, Wind Telecomunicazione, Trentino network, Trento spa)

1. Which results must CediS reach in your interest? Which information do you think are important to receive to prove the enterprise result?
2. Do you offer CediS favorable conditions due to the fact that is a social enterprise? Are you interested in the achievement of social objectives? What kind of information would you like to have in this regard?
3. Do you think that Cedis should better its relationship with suppliers?
4. Are you interested in obtaining information related to the consortium internal processes efficiency? In which particular areas (water, energy, telecommunications)?
5. Do you consider social effectiveness, that is match between enterprise objective and community's needs, an evaluation criteria? Are you interested in the possibility to measure CediS transparency, fairness and participation level?
6. Would you like to know if the consortium has reached its goals regarding internal management efficiency?
7. Do you think it is interesting to obtain information regarding CediS social impact? Would you like to obtain information to understand if long term objectives towards community have been reached, or if the consortium is on the right way to reach them?
8. What kind of information would increase your confidence towards CediS?

Municipalities (Storo)

1. Do you think Cedis contribution has brought some sort of benefits for the citizens of your town? Which evaluation criteria do you use?
2. Which results must CediS reach in your interest? Which information do you think are important to receive to prove the enterprise result?
3. Do you think interesting to know both consortium financial and social results?
4. Are you interested in obtaining information related to the consortium internal processes efficiency?
5. Are you interested in all CediS activities areas (water, energy, telecommunications) or you're interested in only some of them?
6. Do you consider social effectiveness, that is match between enterprise objective and community's needs, an evaluation criteria? Are you interested in the possibility to measure CediS transparency, fairness and participation level?
7. Would you like to know if the consortium has reached its goals regarding internal management efficiency?
8. Do you think it is interesting to obtain information regarding CediS social impact? Would you like to obtain information to understand if long term objectives towards community have been reached, or if the consortium is on the right way to reach them?

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