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Measurement as legitimacy versus legitimacy of measures – Performance evaluation of social enterprise

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ABSTRACT

Purpose – This paper reviews the growing emphasis on quantifiable performance measures such as social return on investment (SROI) in third sector organisations – specifically, social enterprise - through a legitimacy theory lens. It then examines what social enterprises value (i.e. consider important) in terms of performance evaluation, using a case study approach.

Design/methodology/approach – Case studies involving interviews, documentary analysis, and observation, of three social enterprises at different life-cycle stages with different funding structures, were constructed to consider ‘what measures matter’ from a practitioner’s perspective.

Findings – Findings highlight a priority on quality outcomes and impacts in primarily qualitative terms to evaluate performance. Further, there is a noticeable lack of emphasis on financial measures other than basic access to financial resources to continue pursuing social goals.

Social implications – The practical challenges faced by social enterprises in evaluating performance and by implication organisational legitimacy, is contrasted with measures such as SROI which are resource intensive, have inherent methodological limitations. Hence, findings suggest the limited resources of social enterprises would be better allocated towards documenting outcomes and impacts as a first step, in order to evaluate social and financial performance in terms appropriate to each objective, in order to demonstrate organisational legitimacy.

Originality/value – Findings distinguish between processes which may hold symbolic legitimacy for select stakeholder groups, and processes which hold substantive, cognitive legitimacy for stakeholders more broadly, in the under-researched context of social enterprise.

Keywords: performance measures, legitimacy, social enterprise, third sector, SROI