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Research Report

The potential of impact narratives for social entrepreneurship

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Band
8

Simone Chlosta / Holger Wassermann / Farid Vatanparast (Hrsg.)

*The Potential of Impact Narratives
for Social Entrepreneurship*

~
Pascal Nissing

KCE Schriftenreihe



**KCE Kompetenzzentrum
für Entrepreneurship & Mittelstand**
der FOM Hochschule für Oekonomie & Management

Pascal Nissing

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***The Potential of Impact Narratives
for Social Entrepreneurship***

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Preface

The impact which social and sustainable entrepreneurs achieve with their start-up often is considered a key indicator of success. However, many times the understanding of the impact, which they want their start-up to accomplish, remains blurry to them. While there is a growing number of research and frameworks (e. g. German DIN SPEC 90051-1) which focus on how impact of sustainable start-ups can be measured ex post, frameworks that focus on better understanding and assessing the impact, which social entrepreneurs aspire to achieve ex ante, are still scarce. Therefore, Pascal Nissing's paper "The Potentials of Impact Narratives for Social Entrepreneurship" is a valuable contribution to the latter line of research. He uses the concept of Impact Narratives, initially developed for assessing multi-stakeholder-projects, and analyses how it can be used to help entrepreneurs to gain a better understanding of the impact they seek to achieve. The conceptual work by Pascal Nissing is accompanied by qualitative research using interviews with social entrepreneurs and hence is empirically grounded.

It has been a great pleasure accompanying Pascal in his scientific work as his thesis advisors. His vast level of commitment, his thoughtfulness and scientific methodological rigor have made this paper an outstanding one. The work is a promising start to further help entrepreneurs develop a better understanding of their targeted impact as well as a meaningful contribution to research in this area.

We hope that Pascal's innovative approach will serve as a methodological guide for improving and widening impact measurement in social and sustainable entrepreneurship.

We wish Pascal all the best for his future career and hope that he will continue to produce exciting scientific work.

Prof. Dr. Nadine Pratt and Prof. Dr. Simone Chlosta

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Abstract

Social Entrepreneurship is a growing field of practice and research. But solving social ills with innovative solutions and business approaches entails the need to assess the social businesses' success, their impact. While impact measurement is a dominant topic in research, the paper at hand aims to analyze the step taken prior to measurement. With impact understanding, the focus lies on the way social enterprises understand and capture the full scope of their impact. The Impact Narrative tool is a newly developed tool that aims at helping multi-stakeholder partnerships to develop and capture their impact understanding. This research examines the potential of this tool for social enterprises to enhance their impact understanding. By conducting five qualitative interviews with experts on social enterprises and their impact, different aspects of impact understanding could be analyzed. Insights on used methodologies, the communication of impact, and reasons and challenges in understanding one's impact enabled an assessment of the potential of the Impact Narrative tool for social entrepreneurship. The qualitative content-structuring analysis after *Kuckartz* allowed coding the resulted data to find answers to the relevant topics and connections within. Although reactions to the tool are different, the challenges facing social entrepreneurs when developing an impact understanding and their reasons to do so are similar. The importance of impact communication, the challenging need to acquire resources, and the strategic clarity that social enterprises hope for, are just a few of the insights gained. With detailed impact levels and dimensions, a diversified version of the Impact Value Chain, and a specific visual style, the Impact Narrative tool does not solve issues of quantification. However, the tool enables a systematically developed and enhanced understanding of one's scope of impact that can help a social enterprise to develop and improve, internally and externally.

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List of Abbreviations

CSR	Corporate Social Responsibility
D-A-CH	Deutschland, Österreich, Schweiz (Germany, Austria, Switzerland)
GEM	Global Entrepreneurship Monitor
MSP	Multi-Stakeholder Partnership
SDG	Sustainable Development Goal
SE	Social Enterprise
SROI	Social Return on Investment
SVA	Stakeholder Value Added

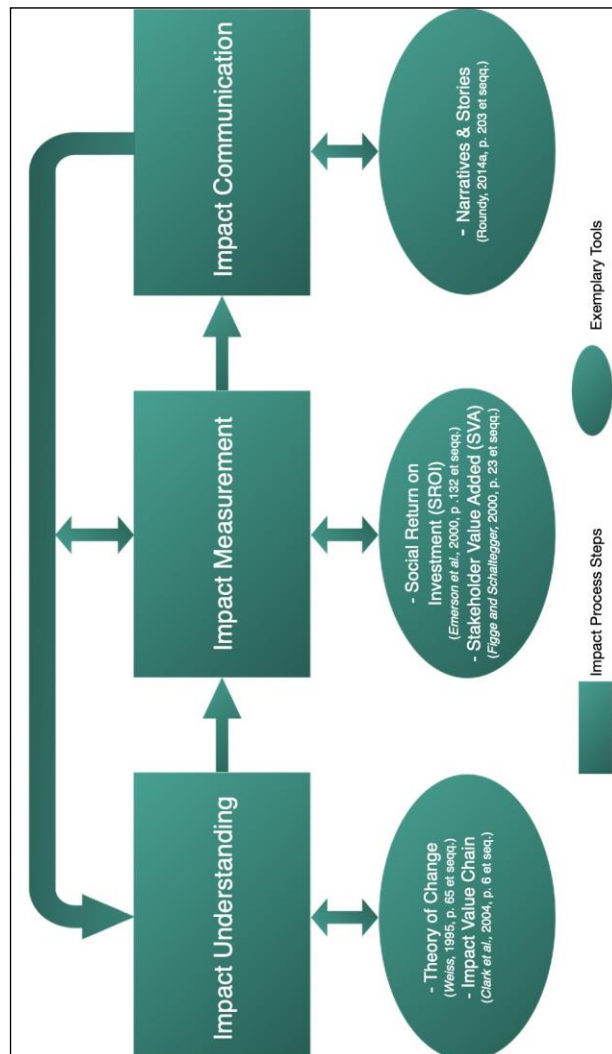
1 Introduction

The social responsibility of businesses towards society was already discussed back in the 1950s (cf. *Bowen*, 2013, p. 4 et seqq.). For businesses to thrive in a capitalistic system, the need to consider social values was undoubted (cf. *Bowen*, 2013, p. 5). Though, different opinions on the responsibilities of businesses arose over the past decades. One of the most popular statements in this context was made by Milton Friedman and published in the *New York Times* in 1970: “There is one and only one social responsibility of business ... to increase its profits” (*Friedman*, 2007, p. 178). Nevertheless, it is almost impossible to find a company nowadays that does not communicate its efforts in sustainability or corporate social responsibility (CSR). Including corporate social responsibility in an enterprise’s management system is a fulfillment of external expectations towards the enterprise (cf. *Bertels and Pelozo*, 2008, p. 56 et seqq.), whereas social entrepreneurship describes its own cosmos of entrepreneurs. These entrepreneurs follow a social mission to create social impact (cf. *Dees*, 2001, p. 2 et seqq.). This impact represents a social enterprise’s success in achieving its goals and creating systemic change. Communicating these achievements is essential for social entrepreneurs for various reasons (cf. *Roundy*, 2014b, p. 42 et seqq.). But to be able to communicate the enterprise’s impact, social entrepreneurs need to assess and understand it beforehand. While measuring impact is a widely discussed topic in literature, the process of understanding the full scope of it is limited to complex logic models such as the Theory of Change. Understanding and communicating success is an important matter in the face of the continuously growing sector of social enterprises (cf. *Alomoto et al.*, 2022, p. 225 et seq.). There are various challenges that the entrepreneurs face in understanding their impact, just as there are many reasons why impact understanding is of essential importance to them. New methodologies that enable an easier way to develop and communicate one’s impact understanding are required.

The Impact Narrative tool serves as a new methodology for multi-stakeholder partnerships (MSPs) to better understand, capture, and communicate their scope of impact. It was developed by the *Partnerships Resource Center* of the *Rotterdam School of Management* and *Partnerships2030*, a promoting platform for multi-stakeholder partnerships. With the help of eight MSPs, the approach has been worked on since May 2020 (cf. *Partnerships2030*, n.d., n.p.). This paper does not aim at enlarging the given literature on impact measurement tools, but to lay the focus on the development of impact understanding. However, it is not possible to clearly separate the steps of impact understanding, measure-

ment, and communication. The impact process is an ongoing one, which is improved by continuous monitoring and evaluation of each part of the process. The impact process presented in Figure 1 is meant to emphasize this while contextualizing impact understanding within the impact assessment context. Impact understanding is not meant to necessarily quantify or measure impact indicators. Instead, it is about understanding the full scope of impact on multiple stages and levels from the initial input to the ultimate impact.

Figure 1: Impact Process



As presented in Figure 1, impact understanding is considered the first step in the process, while also needing to be reevaluated and influenced by measurement and communication activities constantly. Moreover, exemplary tools for each step are presented in the figure.

With the help of a literature review and qualitative interviews, ways to develop and communicate the understanding of impact will be identified. Besides, different levels of impact are being researched and compared. Furthermore, reasons for understanding impact and possible challenges faced in the process will be analyzed. The objective of this research is to assess the potential of the Impact Narrative tool. By gaining insights into the reasons, challenges, and tools used by social enterprises, the main research question can be examined from different perspectives.

The paper at hand thus analyzes the following research question:

How can the Impact Narrative tool help social entrepreneurs to develop and capture an understanding of their impact?

Although it can be contextualized as being part of the impact assessment literature and more specifically the literature on logic models, there has not yet been an examination of the Impact Narrative tool in the context of social enterprises. Moreover, the use of the term impact understanding is not widespread in research literature. Therefore, this study represents an innovative approach in impact assessment literature.

The following research will begin with the theoretical framework which includes a literature review regarding the main aspects of this paper. Important expressions such as social entrepreneurship and social impact will be defined. Furthermore, the state of research in impact communication, reasons, and challenges in impact assessment will be outlined. After presenting exemplary impact understanding tools and the Impact Narrative tool, the research sub-questions are presented. Next is the explanation of the research methodology, including the collection of data and the analysis of data. Important findings from the empirical research are explained before they are interpreted in the context of the prior literature review and the research questions. The results allow for a final assessment of the main research question before concluding this work with implications and limitations of the research.

2 Theoretical Foundation and State of Research

The following chapter provides a theoretical framework for the analysis of the main topics of this paper, which are derived from the main research question. Therefore, the main topics, social entrepreneurship, social impact, and exemplary impact understanding tools are examined. In addition, the state of research of subtopics such as impact communication, impact levels, and reasons and challenges in impact understanding is presented. The purpose of this chapter is to look at different aspects of the research question and connections amongst them to develop sub-questions for the research.

The survey of current research literature was mostly conducted via the EBSCO Discovery Service and the online service OPACplus of the Bavarian State Library. Search terms included “social entrepreneurship,” “social enterprises,” “social entrepreneurs,” “social start-up,” “corporate social responsibility [in social enterprises],” “impact measurement,” “impact measurement tools,” “impact assessment,” “impact communication,” “social impact measurement” and “social ventures.” Further searches included the terms “[development of] impact understanding,” “scope of impact,” “impact levels,” “social change model,” “social value proposition,” “logic models” and “theory of change.” Publications in other languages than English and German were filtered from the results as well as results older than 20 years. Besides the direct research, cited literature from analyzed sources was followed and examined. Sources include international scientific papers, peer-reviewed journals, monographs, and collected works as well as reports by renowned organizations.

2.1 Social Entrepreneurship

As indicated in the introduction, CSR and social entrepreneurship can be connected. To differentiate between the two areas, the main differences will be outlined in the following. The terms social enterprise (SE), social business, and social venture are hereby used interchangeably. The most obvious common ground is the word “social” in the expressions. Often misinterpreted, the word “social” cannot simply be translated to the German word “sozial” which limits both approaches by excluding ecological aspects (cf. *Beckmann and Zeyen*, 2015, p. 167; *Cagarman et al.*, 2020a, p. 8). The English term is meant to include social and ecological aspects, which leads to the suggested German translation of “gesellschaftlich” (cf. *Cagarman et al.*, 2020a, p. 8). “Gesellschaftlich” could be back-translated to “societal,” referring to challenges faced by society and not just within society.

However, the main difference between both approaches is how each venture applies the social factor in its actions. While social entrepreneurs primarily follow a social aim with their doing, corporate social responsibility describes a social way of following the corporation's economic goal (cf. *Beckmann and Zeyen*, 2015, p. 168). Moreover, the difference lies in the external expectations that often call for CSR actions of organizations, whereas social enterprises result from the intrinsic motivation of an entrepreneurial-minded individual (cf. *Sen*, 2007, p. 539 et seq.; *Bertels and Pelloza*, 2008, p. 56 et seqq.; *Beckmann et al.*, 2014, p. 23 et seqq.). Another distinction is the institutionalization of CSR, which is characterized by governmental laws, guidelines for obtaining certificates, or policies of institutions such as the *International Organization for Standardization (ISO)*. In contrast, social entrepreneurship follows innovative approaches that mostly are not standardized or institutionalized yet (cf. *Beckmann and Zeyen*, 2015, p. 169).

Although no universally accepted definition of the term social entrepreneurship exists (cf. *Layrisse-Villamizar et al.*, 2019, p. 84 et seq.), most approaches overlap in the distinction between social entrepreneurs and commercial entrepreneurs: In opposition to commercial businesses, the main focus of social businesses lies in the creation of social value instead of only personal value (cf. *Zadek and Thake*, 1997, p. 31; *Dees*, 2001, p. 4; *Austin et al.*, 2006, p. 2; *Zahra et al.*, 2009, p. 519 et seqq.).

The *Global Entrepreneurship Monitor (GEM)* uses a wide and a narrow definition in its *2015 Special Topic Report on Social Entrepreneurship*. The broad definition of a social entrepreneur is meant to bring the most common approaches by academics, policymakers, and renowned social entrepreneurship platforms such as *Ashoka* or the *Skoll Foundation* to a common denominator (cf. *Bosma et al.*, 2016, p. 9). By the *GEM*'s initial broad definition, a social entrepreneur is "an individual who is starting or currently leading any kind of activity, organization or initiative that has a particular social, environmental or community objective" (*Bosma et al.*, 2016, p. 9). Their narrow definition reduces five analyzed characteristics of social entrepreneurs, (a) social mission, (b) activity in the market, (c) innovation, (d) reinvesting profits, and (e) attempt to assess social impact (cf. *Bosma et al.*, 2016, p. 9), down to two significant factors: the intent of creating (social) value instead of capturing value and being market-based rather than non-market-based (cf. *Bosma et al.*, 2016, p. 15 et seqq.). These two qualities are meant to represent the two components of the social aspect and the entrepreneurial aspect of the phrase social entrepreneur (cf. *Bosma et al.*, 2016, p. 16 et seq.). These relatively broad criteria are taken up by *Layrisse-Villamizar et al.* in

consideration of different academic definitions and formulated into a new definition. This definition will be used for this paper due to its summarizing character of different approaches and its recent publication in 2019. The definition describes social entrepreneurship as “the combination of passion for a social/environmental mission, with the discipline, mindset, tools, processes, techniques, focus on growth, and determination of the business world” (*Layrisse-Villamizar et al.*, 2019, p. 90).

The creation of social value or social wealth as one of the main qualities of social entrepreneurs can describe economic, societal, health, and environmental elements (cf. *Zahra et al.*, 2008, p. 118). While social entrepreneurship is the most common expression, the terms sustainable entrepreneurship and environmental entrepreneurship exist as well. Complete separation of the terms and therefore fields is not possible, whereas distinctions between them exist (cf. *Thompson et al.*, 2011, p. 218). Social entrepreneurs can be recognized by the altruistic motive in their social mission, which can be realized in for-profit, non-profit or hybrid organizations (cf. *Austin et al.*, 2006, p. 2; *Thompson et al.*, 2011, p. 218; *Beckmann and Zeyen*, 2015, p. 164). Moreover, sustainable entrepreneurs are characterized by following the triple bottom line principle of balancing social, economic, and ecological goals while their organizational form needs to be at least economically self-sufficient (cf. *Thompson et al.*, 2011, p. 218). In contrast, environmental entrepreneurs pursue ecological and economic profit as for-profit ventures that can be differentiated from traditional entrepreneurs mainly by their focus on solving environmental issues (cf. *ibid.*). The overlapping of these fields and the lack of universally accepted definitions might be reasons for the fact that legal frameworks for social enterprises are still relatively young and do not exist in many countries, such as Germany, at all (cf. *Cagarman et al.*, 2020a, p. 6 et seqq.; *Cagarman et al.*, 2020b, p. 2 et seqq.). In general, it can be said that social entrepreneurship is not characterized by the legal form of an organization (cf. *Austin et al.*, 2006, p. 2).

This chapter is meant to clarify characteristic features of social enterprises and the differences in comparison to other organizational forms of sustainable business approaches. While the focus on a social aim and the creation of social value can be made out as the main factor, the intrinsic motivation of the social entrepreneurs as well as being market-based as an organization, are other characteristics mentioned in literature. Moreover, there is no internationally renowned legal framework or organizational form that indicates that an organization is a social enterprise. Since no universal definition of social entrepreneurship exists, the def-

inition that is used for this paper was presented. The definition by *Layrisse-Vilamizar et al.* describes the combination of a social or environmental mission with key elements of the business world such as the focus on growth and tools as the main characteristics of social enterprises. In the process of choosing interview partners for the empirical research, the suitability of interviewees can be tested with the help of this definition.

2.2 Social Impact

The characteristics of following a social mission to create social impact are already mentioned as the main components of social entrepreneurs in the early stages of social entrepreneurship research in 1998 (cf. *Dees*, 2001, p. 2 et seq.). Social impact, which is also called “social value creation” (cf. *Emerson et al.*, 2000, p. 137) or “social return” (cf. *Clark et al.*, 2004, p. 2 et seq.), describes the ultimate goal that a social venture is pursuing. Achieving this goal is translated to the success of a social venture and is an indicator to legitimize the existence of the enterprise (cf. *Nicholls*, 2009, p. 766; *Luke et al.*, 2013, p. 253; *Estrin et al.*, 2016, p. 452). While the success of commercial businesses can be measured with the help of quantified and monetary data, social impact is a challenging factor to quantify and measure objectively (cf. *Austin et al.*, 2006, p. 15). Thus, a notable share of literature is dedicated to assessing and scaling impact (cf. e. g. *Rawhouser et al.*, 2019; *Perrini et al.*, 2021; *Kah and Akenroye*, 2020; *Alomoto et al.*, 2021, p. 250 et seq.; *Eiselein and Dentchev*, 2022, p. 147).

To better understand the meaning of impact, different phrases used in literature need to be clarified. *Karen Maas* and *Kellie Liket* compared definitions for impact and related terms, pointing out the need to separate “impact,” “outcome,” “output” and “effect” (cf. *Maas and Liket*, 2011, p. 174 et seq.). While “effects” and “consequences” can simply be seen as less specific synonyms for impact (cf. *Freudenburg*, 1986, p. 452; *Wainwright*, 2002, p. 10), “outcomes” and “outputs” need to be distinguished from impacts. To do so, as *Maas and Liket* do, the definition of social impact of *Clark et al.* is considered. This definition is based on the Impact Value Chain, which can partly be found in the Impact Narrative tool. Therefore, the definition used for this paper will be the following: “By impact we mean the portion of the total outcome that happened as a result of the activity of the venture, above and beyond what would have happened anyway” (*Clark et al.*, 2004, p. 7). In the Impact Value Chain, which will be presented in chapter 2.3.1, “output” is described as the measurable result of a venture’s actions, while “outcome” is the (systemic) change that the venture is trying to achieve (cf. *Clark et*

al., 2004, p. 6). What *Clark et al.* underline with the second part of their definition, is the need to subtract the share of outcomes that did not result from the venture's actions to obtain information about the achieved impact (cf. *Clark et al.*, 2004, p. 7). To specify this, *Kolodinsky et al.* point out that outputs refer to the producer or provider of services, while the impact is about the beneficiary or consumer (cf. *Kolodinsky et al.*, 2006, p. 33 et seqq.). Moreover, social impact will be considered as positive and negative, short- and long-term as well as intended and unintended changes (cf. *Wainwright*, 2002, p. 10).

Social impact assessment is a widely researched topic that was examined in multiple literature reviews over the past years regarding the width and depth of the topic and especially different known tools. While *Maas and Liket* summarized 30 impact measurement methodologies in 2011, other researchers list between nine to 86 approaches (cf. *Clark et al.*, 2004, p. 11; *Maas and Liket*, 2011, p. 178; *Dufour*, 2017, p. 20 et seqq.).

This chapter serves the need of giving an overview of important aspects of social impact. Besides clarifying the terms used and aspects within the impact field, the topics of challenges and reasons were broached, which will need further examination. In addition, the blurry lines between impact understanding and impact measurement were brought to attention as well as the definition of social impact that is being used for this paper. Due to the variety of approaches and definitions, the alignment of interviewees and their understanding of the term needs to be tested. Thus, a first interview question concerning the personal understanding of the term social impact appears to be useful for the research.

2.2.1 Impact Levels

Impact happens on multiple levels. *Kolodinsky et al.* separate impact into first-, second-, and third-level impact. While first-level impacts are direct effects on the user that can be linked to the activities of the venture, second- and third-level impacts describe broader consequences or changes that are more qualitative in their nature and hence more difficult to measure (cf. *Kolodinsky et al.*, 2006, pp. 32-35). *Maas and Liket* categorize the impact assessment methodologies into different used perspectives, the individual (micro), organizational or corporate (meso), and the societal level (macro) (cf. *Maas and Liket*, 2011, pp. 176-183). The different levels of impact are not a dominant topic in the reviewed literature. This is underlined by the systematic literature review of *Rawhouser et al.*, in which only two studies out of 71 papers considered analyze the impact on different lev-

els (cf. *Rawhouser et al.*, 2019, p. 99 et seq.). In these studies, researchers measure effects, such as an increase of social trust or policy changes, besides quantitative measures, such as income changes (cf. *ibid.*). *Rawhouser et al.* argue that this represents a potential way of showing the full scope of impact while pointing out the challenges in doing so. These include the needed time for the higher-level effects to unfold as well as the needed resources to assess them (cf. *ibid.*). Thus, the researchers underline the importance of extending impact assessment to a broader scope over longer time frames (cf. *Rawhouser et al.*, 2019, pp. 95-100). Mostly, three different levels of impact are differentiated and given different names, whereas *Utting* describes six levels of impact more specifically (cf. *Utting*, 2009, p. 127 et seq.). In Table 1 the different levels of impact as mentioned by *Kolodinsky et al.*, *Utting*, and *Maas and Liket* are compared. *Maas and Liket* do not only separate impacts by levels but also by the three dimensions of environmental, economic, and social (cf. *Maas and Liket*, 2011, p. 177), while *Utting* partly includes these dimensions in the impact levels. The levels mentioned by *Kolodinsky et al.* are mostly specified for their case of research of *Vermont Development Credit Union*, whereas *Utting*, as well as *Maas and Liket*, offer general categories that can be used for different purposes.

Table 1: Levels of Impact

Kolodinsky et al., 2006	Utting, 2009	Maas and Liket, 2011
First Level - Direct effects on the user connected to the activities of the venture	Livelihood impacts on primary stakeholders	Individual (micro)
Second Level - Measurable changes in employment, income etc.	Socio-economic impacts on communities	Organizational (meso)
Third Level - Quality of life changes	Organizational impacts	Societal (macro)
	Environmental impacts	
	Policies and institutional impacts	
	Future prospects	

Source: Own representation based on data by *Kolodinsky et al.*, 2006, p. 33 et seq., *Utting*, 2009, p. 127 et seq., *Maas and Liket*, 2011, p. 176 et seq.

The division of impact levels and dimensions by *Maas and Liket* is preferred over *Utting's* categorization of impact levels for the paper at hand. This is justified by

the overlap of dimensions with impact levels and the use of double- or triple-bottom-line approaches in social enterprises, which means they target more than one level of impact in different dimensions (cf. *Maas and Liket*, 2011, p. 177).

Furthermore, the Impact Narrative tool focuses on five levels of impact, which can best be derived from *Maas and Liket's* impact levels. This supports the use of their approach for this paper and the interviews. The focus on levels of impact in the Impact Narrative tool and the lack of extensive literature on this topic lead to another research sub-question concerning the levels of impact that social enterprises know and target in their work.

2.2.2 Impact Communication

Another part of the impact process from Figure 1, that the Impact Narratives are meant to be used for as well, is the communication of impact. To develop and present the complex message of their venture to different kinds of stakeholders, communication needs to be considered a key aspect for social entrepreneurs (cf. *Roundy*, 2014b, p. 42 et seqq.). In 2006 *Austin et al.* already raised the question of how social entrepreneurs can communicate their mission and impact in the best possible way to different stakeholders (cf. *Austin et al.*, 2006, p. 19). As *Roundy* argues, narratives are the basis of a social entrepreneur's communication and fundamental for resource acquisition (cf. *Roundy*, 2014a, pp. 204-216). Despite communication of social enterprises being an insufficiently researched topic in literature in general, narratives and stories form their own field of interest and research (cf. *Roundy*, 2014b, p. 44). Since the term narrative is not a key issue of this paper, the term will be simply clarified by the definition of *Landa and Onega*, who state that narratives are a "representation of a series of events meaningfully connected in a temporal and causal way" (*Landa and Onega*, 2014, p. 3).

While narratives can be used in all kinds of enterprises, social entrepreneurs need to communicate with and acquire resources from a wider range of stakeholders (cf. *Roundy*, 2014b, p. 44). Thus, they might need to tailor their narratives to the audience they want to address (cf. *Roundy*, 2014a, p. 207). While funded social enterprises seem to do so, unfunded ones do not (cf. *Roundy*, 2014a, p. 207). In his study, *Roundy* explains the importance of adjusting your narrative to the particular audience the social business addresses, to reach the goal the entrepreneur is trying to achieve in the specific case (cf. *Roundy*, 2014a, p. 209 et seq.). These goals can include acquiring new resources from investors, convincing and attracting customers and the media, or to motivate staff. Most stories are

about the beneficiaries of the social enterprise or the social problem the venture addresses (cf. *Roundy*, 2014b, p. 50). The condition that these stories need to fulfill to influence the stakeholders, is the creation of emotions (cf. *Roundy*, 2014b, p. 59). Still, a strong social enterprise that wants to be successful in securing its stakeholders' goodwill and gaining new resources, needs a convincing business model as well (cf. *ibid.*). Combining a narrative that evokes emotions with key elements of the enterprise's business model might be a way to satisfy beneficiaries as well as customers (cf. *Roundy*, 2014b, p. 61). Moreover, quantitative data is not to be left out. But to create emotions and therefore convince stakeholders, social enterprises need their beneficiaries to communicate the subjective story of the impact made on their life (cf. *ibid.*).

Impact communication can be seen as a key element of the impact process. Not only does it serve the need for resource acquisition and presenting the social enterprise's mission and impact to various stakeholders, but also helps the venture understand its impact from other perspectives. In addition, emotions, stories, and narratives created mostly by the beneficiaries of a social enterprise are considered the most relevant ways of communication. Nevertheless, the need to have a convincing business model that is easy to communicate is undoubted. Depending on the audience the enterprise wants to address, different approaches to communication are needed. Due to the limitations of literature and the possibility of communicating impact with the Impact Narrative tool, another research sub-question about capturing and communicating the understanding of one's impact will be relevant for the research.

2.2.3 Reasons for Understanding Impact

Reasons for measuring the impact of a social venture and tools developed to do so are dominant topics in social entrepreneurship research (cf. e. g. *Clark et al.*, 2004; *Maas and Liket*, 2011; *Dufour*, 2017; *Rawhouser et al.*, 2019; *Kah and Akenroye*, 2020; *Perrini et al.*, 2021; *Alomoto et al.*, 2022). The measurement step of the impact process shown in Figure 1 is based on the prior part of understanding what impact means for the specific enterprise. Without being separated in literature, it is difficult to make a clear distinction between the understanding of impact, which might include the development of a logic model of social change, and the measurement of impact. So far, besides the mentioned logic model which can be a Theory of Change, for example, most tools focus on measuring or evaluating achieved impact (cf. *Maas and Liket*, 2011, p. 181 et seqq.).

The variety of definitions of social impact symbolizes the need for a venture to formulate its own understanding of impact. Due to the blurry lines between the areas of impact understanding and impact measurement as well as the lack of distinction in literature, this chapter also includes reasons for impact assessment generally mentioned in impact measurement literature. This is justified by the core assumption of this paper, that an extensive measurement of impact is only possible with a clear understanding of one's scope of impact. To give the best possible overview of reasons, the assumption is made, that impact understanding is not only a necessity for measurement but also inevitably leads to the communication of impact, internally or externally. Accordingly, reasons for all steps of the impact process are included in this chapter since they are based on impact understanding.

Besides enabling an authentic, extensive impact assessment, the understanding of impact serves several other reasons. To begin with, the possibility of scaling the venture's activities to scale the achieved impact is one reason. However, scaling can also represent a risk to the venture's success if it does not reach a clear understanding of its impact beforehand (cf. *Austin et al.*, 2006, p. 7; *Colby et al.*, 2004, p. 33). It is the understanding of the venture's mission and developing a long-term strategy for achieving impact that helps the employees and the social enterprise's actions to stay aligned with the venture's goal (cf. *Austin et al.*, 2006, p. 7; *Colby et al.*, 2004, p. 32 et seq.). The so-called mission drift might happen if the social enterprise loses its focus on its impact or its core mission while pursuing economic success (cf. *Sadiq et al.*, 2022, p. 124 et seq.). This is one of the five biggest categories of challenges for social enterprises and hybrid organizations and hence a reason to invest in impact understanding (cf. *ibid.*). While the shift of focus might include internal issues concerning strategic decisions or the alignment of staff, the external issues might be legitimacy or credibility challenges (cf. *Luke et al.*, 2013, p. 253; *Sadiq et al.*, 2022, p. 127 et seq.). Understanding one's impact is part of strategic clarity which helps in decision-making processes and during the onboarding process of new staff or when trying to align staff to your mission (cf. *Colby et al.*, 2004, p. 32 et seq.; *Maas and Liket*, 2011, p. 174). Besides, this clarity helps to legitimize the existence of social enterprises and enhance their credibility (cf. *Nicholls*, 2009, p. 766; *Luke et al.*, 2013, p. 253; *Estrin et al.*, 2016, p. 452). Finally, the most essential reason for impact understanding and assessment is the acquisition of resources (cf. *Austin et al.*, 2006, p. 12; *Nicholls*, 2009, p. 765; *Nicholls*, 2010, p. 267 et seq.). Acquiring resources bears the risk of the previously mentioned mission drift. However, understanding one's impact might allow social enterprises to gain strategic clarity and thereby avoid the shift of focus while acquiring new resources.

As shown in this chapter, there are various reasons for social enterprises to understand their impact in order to be able to measure and communicate it to their stakeholders in an enhanced way. The main reasons include alignment of employees, proving legitimacy and credibility, scaling of impact, avoiding mission drift by achieving strategic clarity, and resource acquisition. Although the mentioned reasons are taken from impact measurement and communication literature as well, it is expected that the empirical study will show similar reasons for the understanding of the full scope of impact. Another research sub- and interview question can be derived from this chapter to find out the relevance and reasons for social enterprises to understand their full scope of impact.

2.2.4 Challenges in Understanding Impact

To capture the broadest possible scope of challenges, challenges for all steps of the impact process are included in this chapter as well. As mentioned in the previous chapter, resource acquisition is one of the most essential reasons for extensive impact assessment. At the same time, the lack of resources, including time, money, and knowledge, also represents one of the biggest challenges in impact assessment (cf. *Luke et al.*, 2013, p. 240 et seq.; *Haski-Leventhal and Mehra*, 2016, p. 98). The difficulty of attracting investors and thus financial resources is connected with the risk of mission drift in the ventures (cf. *Sadiq et al.*, 2022, p. 138 et seq.). The resources spent on generating funds would be needed in impact assessment which might be prioritized as less important. Assessing outcomes and long-term impact contains two challenges faced by social enterprises: Firstly, achieving long-term impact as a young or newly created enterprise is a contradiction in itself. Secondly, outcomes and long-term impact might be depending on the size of the enterprise and the scaling possibilities of its activities (cf. *Haski-Leventhal and Mehra*, 2016, p. 93). Therefore, social enterprises might focus on scaling their outputs as well as reaching a certain size and influence before starting to assess their impact (cf. *ibid*). This shift of focus on outputs and growth instead of a long-term impact plan is a risk for the entrepreneurs and their long-term success (cf. *Austin et al.*, 2006, p. 7). Another challenge that can be associated especially with long-term impacts is the attribution of activities of a social enterprise to changes that have happened. The outcomes and impact can be estimated, but the exact extent to which the social business is responsible is difficult to measure and leads to social entrepreneurs recoiling from impact assessment (cf. *Maas and Liket*, 2011, p. 177; *Haski-Leventhal and Mehra*, 2016, p. 93). This also correlates with the intangible nature of most im-

pacts (cf. *Haski-Leventhal and Mehra*, 2016, p. 97). *Austin et al.* explain the difficulty of quantifying impact with the challenge of attribution and causality, the possible time frame of impact, and the general nature of social aspects (cf. *Austin et al.*, 2006, p. 15), whereas *Maas and Liket* describe this as the difficulty “to attach an objective value to the impact and to sum the various qualitative expressions of impact” (*Maas and Liket*, 2011, p. 177). Moreover, the dimensions of impact as environmental, economic, and social in forms of positive, negative, short- and long-term, intended, and unintended impact might be overwhelming and deterrent (cf. *ibid.*). While some social enterprises might follow this broad definition of impact, others might only focus on the intended, positive changes. The missing agreement on what impact is, might be the biggest challenge for a transparent and authentic assessment of impact (cf. *ibid.*). Not only does this prevent the assessment of impact, but it also prevents a standardized method to be evolved. This would serve the purpose of comparable results and hence of enabling a better understanding of social impact (cf. *Haski-Leventhal and Mehra*, 2016, p. 98). The lack of common methodologies leads to the insecurity of not only how to measure but even more fundamental what to measure and which tool to choose (cf. *Maas and Liket*, 2011, p. 179; *Kah and Akenroye*, 2020, p. 382 et seq.). At the same time, the diversity of social enterprises does not allow one single approach that is suitable for all organizations (cf. *Maas and Liket*, 2011, p. 179; *Kah and Akenroye*, 2020, p. 385).

These challenges in the impact process lead to a lack of understanding the full scope of impact. Being an iterative process, within a longer time frame, a social enterprise might understand the scope of its impact in a better way. Though, this needs communication with stakeholders and a process of evaluation and reconsideration of activities. The challenges in understanding and developing impact reach from the lack of resources to the insecurities of being relevant enough to achieve change as well as how and what to assess. Additionally, challenges such as attribution, causality, and quantification issues are relevant to the research. Besides missing standardized methods, the variety of dimensions and approaches might lead to social enterprises not assessing their impact at all. Challenges for social entrepreneurs will be examined with another research sub-question to test the potential of the Impact Narrative tool in overcoming these challenges.

2.3 Methodologies for the Development of Impact Understanding

To differentiate the Impact Narrative tool from other tools, the exemplary methodologies mentioned in Figure 1 will be explained in the following chapter. Furthermore, by presenting the Impact Narrative tool in subchapter 2.3.2, a better understanding of the purposes and potentials of the methodology is enabled.

2.3.1 Exemplary Tools

Examined tools in research are mainly measurement tools, such as the Social Return on Investment (SROI) or the Stakeholder Value Added (SVA). As mentioned in chapter 2.2, researchers list between nine to 86 approaches that are meant to assess impact (cf. *Clark et al.*, 2004, p. 11; *Maas and Liket*, 2011, p. 178; *Dufour*, 2017, p. 20 et seqq.). The SROI tool is one of the most dominant ones in practice (cf. *Luke et al.*, 2013, p. 238). Like SROI, the SVA tool is a quantitative methodology that tries to quantify and monetize intangible impacts achieved by an organization while using a societal (macro) perspective (cf. *Maas and Liket*, 2011, pp. 178-187). The SVA methodology uses a stakeholder approach combined with a cost-benefit analysis that quantifies the costs, benefits, and risks of a stakeholder relation (cf. *Figge and Schaltegger*, 2000, p. 23 et seqq.), whereas the SROI approach analyzes the social activities of an organization regarding different aspects including the needed investment for the activity as well as savings and benefits that can be attributed to the activity (cf. *Emerson et al.*, 2000, p. 139). Moreover, the analysis results in the economic value of previously mentioned aspects in dollars that are then discounted back with a discounted cash flow analysis for example (cf. *ibid.*). As a result, the socio-economic value related to the investment is presented in different indicators (cf. *ibid.*).

In contrast, the impact understanding part of the impact process is not meant to quantify or monetize any changes. Different approaches could be associated with the step of impact understanding. The theory-based evaluation approaches are contrary to the measurement tools mentioned before. *Van Tulder et al.* categorize several approaches as theory-based evaluation including “logic models,” “result chains,” “programme theories” and the “Theory of Change” (cf. *Van Tulder et al.*, 2016, p. 7). In addition, *Ruff* describes “causal chains,” “logic model” or “logic framework” and the “outcomes map” as variations of the Theory of Change (cf. *Ruff*, 2021, p. 335). Due to the scope of this paper, the different variations and approaches are not further examined here.

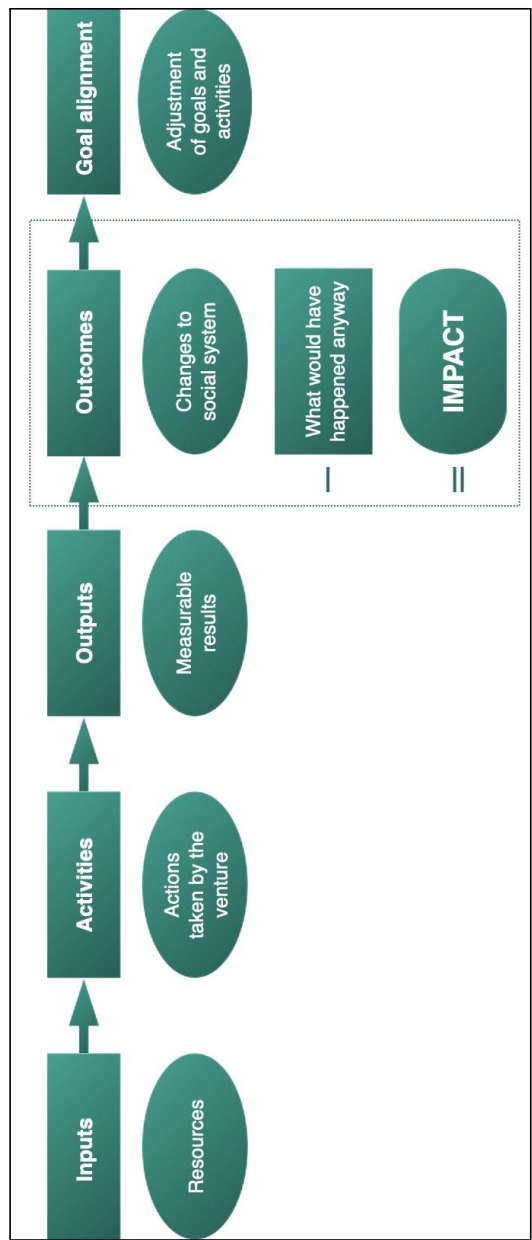
Weiss coined the term theory-based evaluation with the development of the Theory of Change in 1995 (cf. *Weiss*, 1995, p. 66). Even though the Theory of Change methodology is a more holistic approach that is based on logic models, the terms are often used interchangeably (cf. *Van Tulder et al.*, 2016, p. 7; *Dhillon and Vaca*, 2018, p. 65). The Theory of Change and the Impact Value Chain are selected as exemplary tools that can be associated with impact understanding, presuming the connection with the Impact Narrative tool as well as the overlap with other mentioned approaches. Furthermore, the potentially confusing interchangeable use of the various terms of logic models was reduced by focussing on the expression of impact understanding.

An aspect of a social enterprise's statutes is the mission statement which describes the paramount purpose a social venture devotes itself to (cf. *Colby et al.*, 2004, p. 30). While the mission statement is about the specific benefits and therefore the intended impact a social enterprise aims to accomplish (cf. *Cetindamar*, 2018, p. 4), the Theory of Change describes exactly how this change is planned to be achieved (cf. *Weiss*, 1995, p. 65 et seqq.; *Van Tulder et al.*, 2016, p. 7; *Dhillon and Vaca*, 2018, p. 65). More precisely, the Theory of Change is about "the cause-and-effect logic by which organizational and financial resources will be converted into the desired social results" (*Colby et al.*, 2004, p. 26). Moreover, the Theory of Change serves the need of making the mission more strategic, while also being a requirement of institutions and donors to support or acknowledge a social enterprise's work (cf. *Van Tulder et al.*, 2016, p. 7). The result of using the Theory of Change is a plan and a visual depiction that connects inputs with short-term and long-term outcomes and the organization's mission (cf. *Clark et al.*, 2004, p. 18; *Dhillon and Vaca*, 2018, p. 65). Thus, the social enterprise does not only plan its long-term impact but is also able to capture outcomes made along the way, which helps attribute certain changes to activities (cf. *Weiss*, 1995, p. 72). The complex and resource-intensive process of developing a Theory of Change requires research and dialogue between stakeholders (cf. *Dhillon and Vaca*, 2018, p. 66). Besides helping in decision-making processes by providing certainty to act following the enterprise's mission, a clear Theory of Change helps to align different stakeholder groups with the common goal (cf. *Clark et al.*, 2004, p. 18; *Dhillon and Vaca*, 2018, p. 66). This includes internal and external stakeholders, especially staff and beneficiaries (cf. *ibid.*). An important part of a holistic Theory of Change is the consideration of all kinds of impacts, including unintended and negative impacts. Considering the different dimensions from the start might help the enterprise to avoid unwanted outcomes or to deal with them consciously (cf. *Dhillon and Vaca*, 2018, p. 73). All in all, a Theory of Change is a visual depiction of an organization's path from inputs to impact. Causal links

and different dimensions of impact enable all stakeholders to understand how change is planned to be achieved.

The second approach chosen as exemplary is the Impact Value Chain, which was developed by *Clark et al.* in 2004, and is mainly meant to differentiate outputs from outcomes (cf. *Clark et al.*, 2004, p. 6 et seqq.). As mentioned in chapter 2.2, outputs are directly measurable results while outcomes are the pursued ultimate changes (cf. *ibid.*). *Clark et al.* argue that even without the ability to measure such changes, the importance lies in the planning of the desired outcomes as well as the outputs that are produced along the way (cf. *ibid.*). Figure 2 shows the Impact Value Chain which depicts a pathway from inputs over activities and outputs to the outcomes and the ultimate step of goal alignment. Under the steps of the pathway, the meaning of each step can be found. The definition of impact by *Clark et al.*, which is used for this paper, can be derived from the outcomes step. Furthermore, the researchers describe the Impact Value Chain as “a simplified model of how social value is created” (*Clark et al.*, 2004, p. 6). In their categorization of measurement tools, it is used to show which stages of the pathway are analyzed in a methodology (cf. *Clark et al.*, 2004, p. 14).

Figure 2: Impact Value Chain



Source: Following *Clark et al.*, 2004, p. 7.

While the SROI includes all steps except the final goal alignment, according to *Clark et al.*, the Theory of Change only examines activities, outputs, and goal alignment (cf. *Clark et al.*, 2004, pp. 19-31). Thus, for this paper, the Impact Value Chain is considered to be an evaluation tool for other methodologies and to understand one's impact including the process there.

This chapter briefly described two often mentioned impact measurement tools from literature. The SROI and SVA methodology, just like most measurement tools, try to monetize social impact and put investment in relation to costs and benefits resulting from the organization's activities. In contrast, a Theory of Change and the Impact Value Chain are tools described as impact understanding methodologies. These help to analyze and present the pursued outcomes and impacts as well as how these effects are being realized. To avoid using different terms of logic models, the focus of this paper lies on the term impact understanding and the Theory of Change tool. While the tool is meant to help in decision-making processes and alignment of stakeholders, it needs a lot of resources to be realized besides the need for communication with stakeholders and research. Developing a long-term plan of impacts and outcomes made along the way should include all dimensions of impact, including negative and unintended ones. A visual depiction of this plan is the result of a carried-out Theory of Change. The Impact Value Chain helps to differentiate the steps along the pathway without missing changes that are made along the way. These insights lead to the final research sub-question of how social enterprises develop an understanding of their impact and if they know or use certain systematic approaches, such as a Theory of Change.

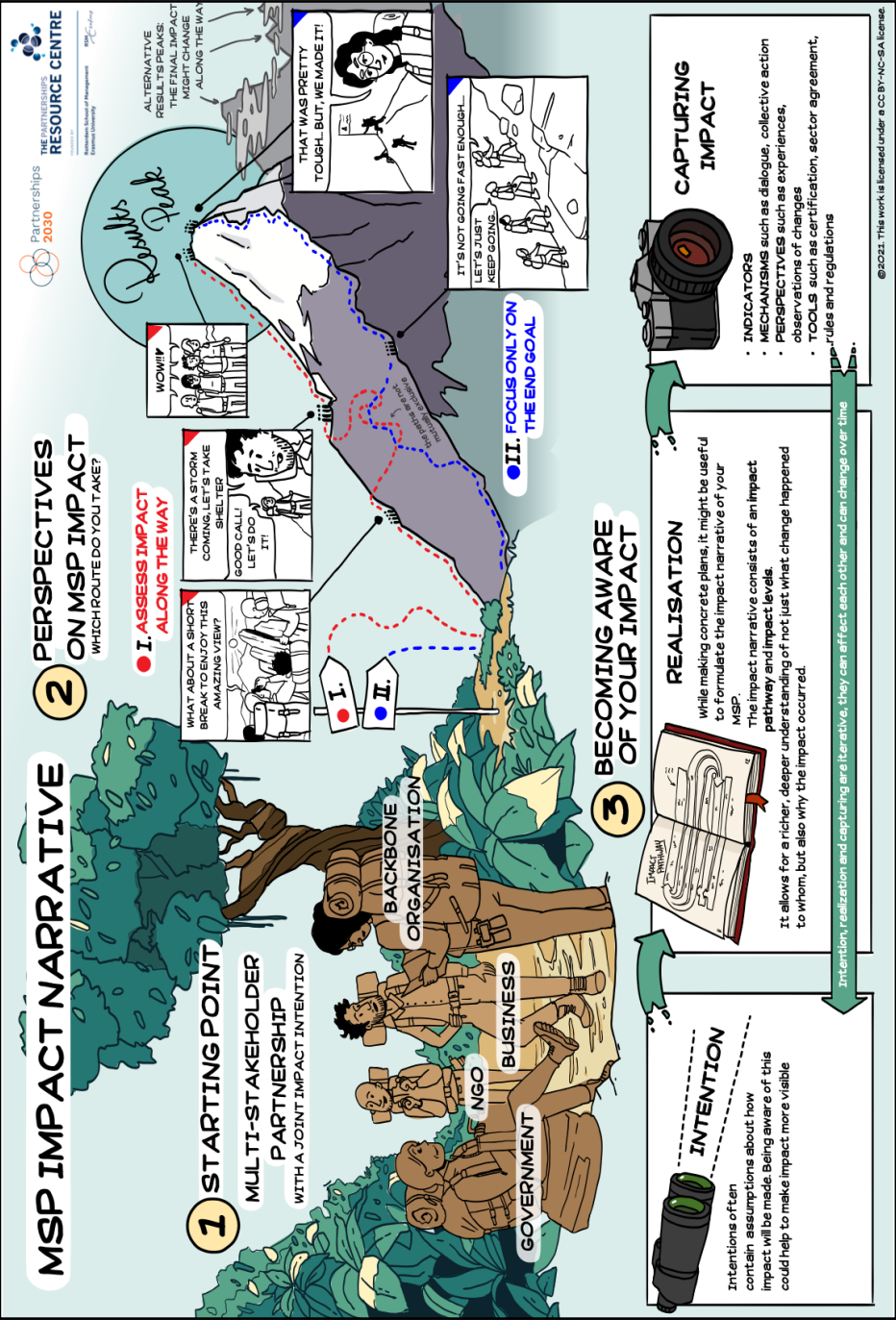
2.3.2 Impact Narrative Tool

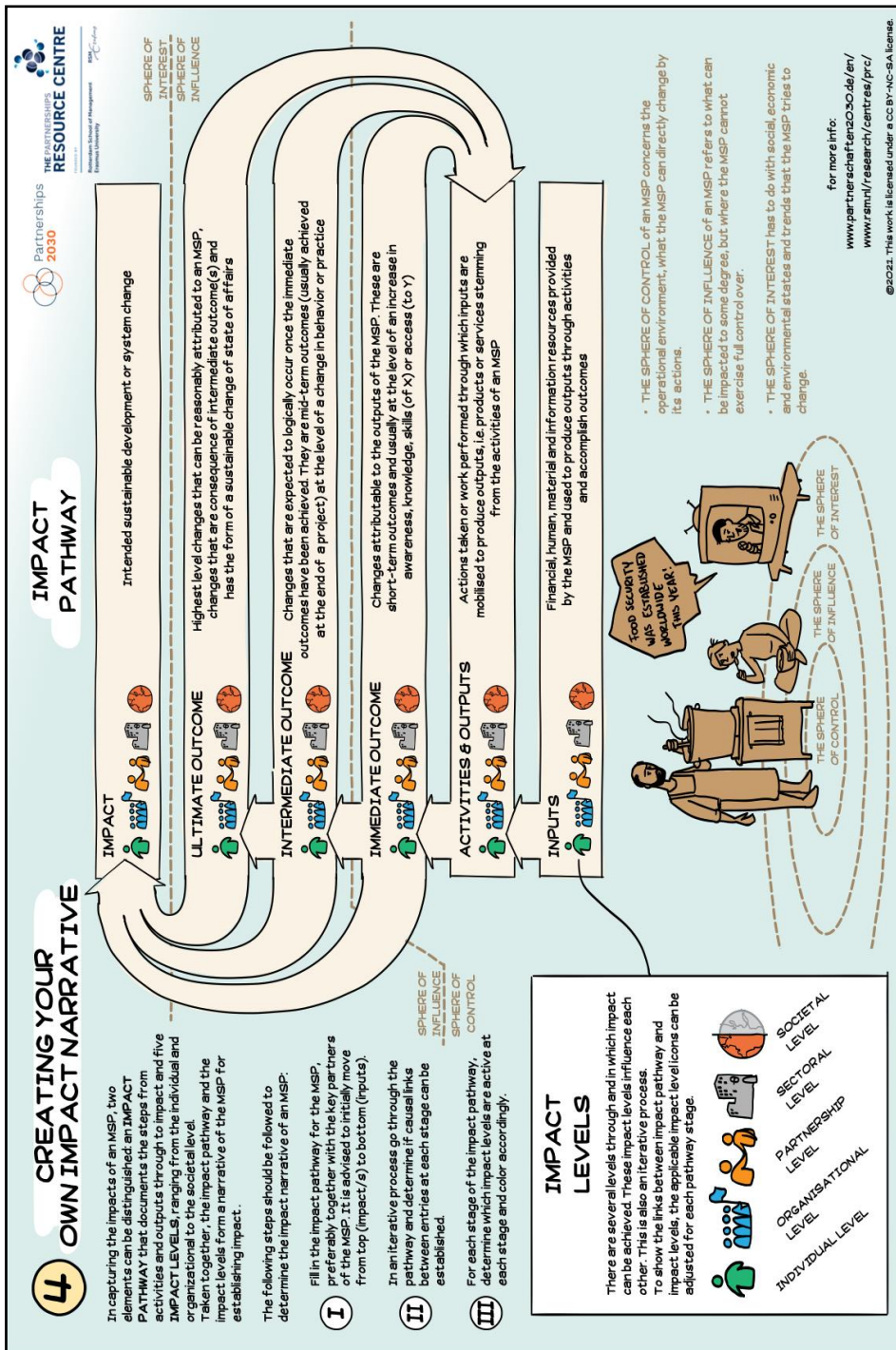
The Impact Narrative tool was developed by an action research project group of eight multi-stakeholder partnerships, the MSP platform *Partnerships2030* and the *Partnerships Resource Centre at the Rotterdam School of Management (Erasmus University)*. Together, the project group aimed to find a way to easier understand, capture, and communicate the impact of multi-stakeholder partnerships (cf. *Partnerships2030*, n.d., n.p.). Their collaborative work started in May 2020, resulting in the tool and visual presented in Figure 3. The Impact Narratives combine an impact pathway that includes six steps from inputs to impact and five impact levels. The presented impact levels are the individual, organizational, partnership, sectoral, and societal levels, which are separately looked at for each step

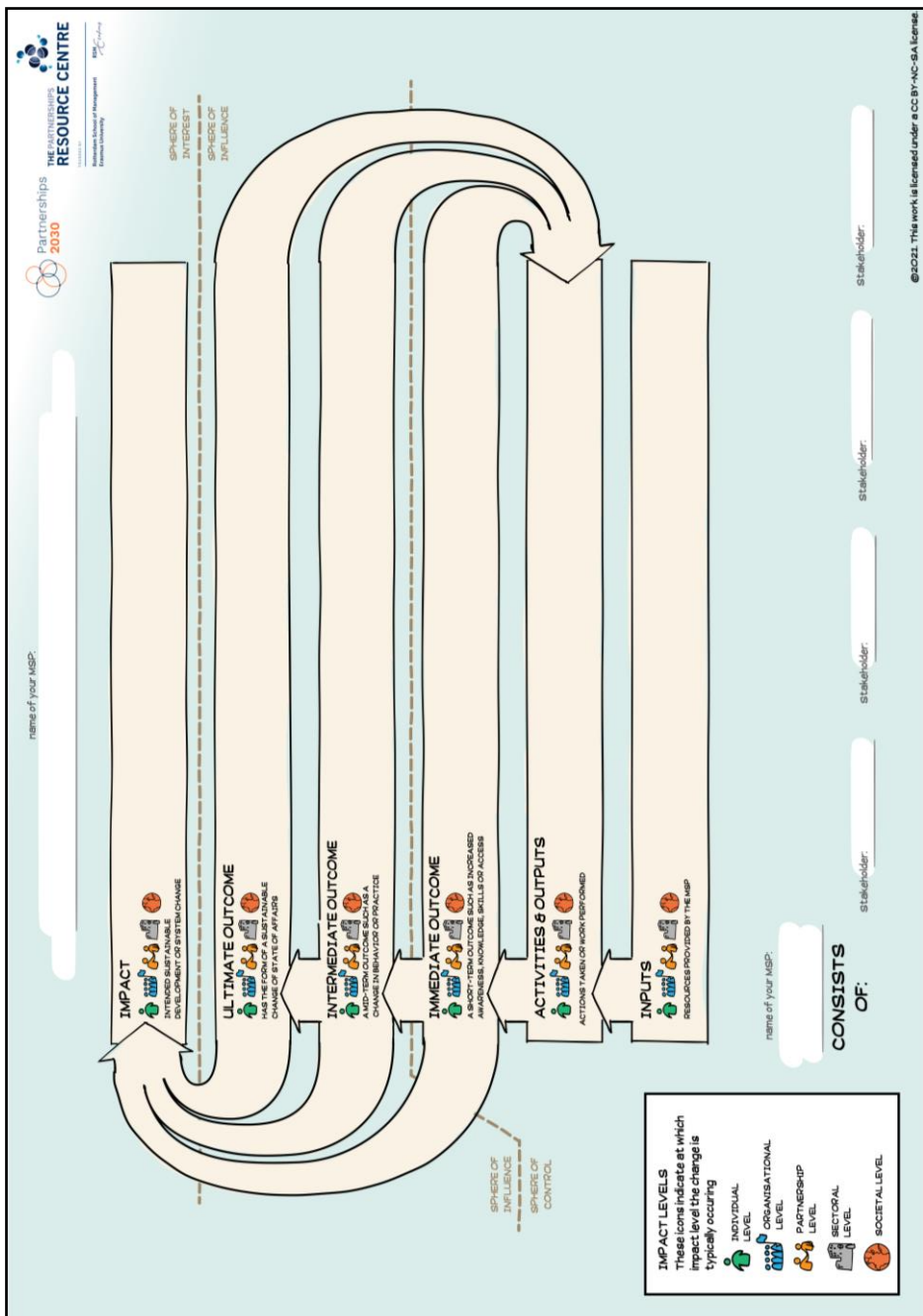
on the pathway. The impact pathway starts at the inputs and evolves over “activities & outputs” to “immediate outcomes,” “intermediate outcomes” and “ultimate outcome” up to the last step, the impact. In contrast to the Impact Value Chain presented in Figure 2, the impact pathway includes more diverse outcome stages which each also form a loop back to the “activities & outputs” step. This represents the monitoring and evaluation idea of the tool. Furthermore, the impact does not only result from the ultimate outcome but from the immediate and intermediate outcome as well. Other factors described in the visual are the three different spheres of control, influence, and interest. These spheres are meant to signalize the amount of power the MSP can directly exercise on the single steps of the pathways.

The Impact Narrative tool seems to be able to combine different approaches that can be found in the Theory of Change or the Impact Value Chain. By differentiating more steps along the pathway the tool allows diversification and presentation of all changes achieved due to the activity of an organization. Furthermore, attributing achieved impact to activities of a venture might become easier by being able to follow and present all changes that developed into the impact. Moreover, the loops within the steps signalize the iterative nature of the process. In addition, the consideration of different targeted levels at all stages as well as taking into account the different spheres of influence, interest, and control signalizes the variety of changes. The graphic style of the tool might help stakeholders to better understand the planning of impact. Besides helping in communication, the tool might especially help the social enterprises to understand the scope of their impact, even if changes that happen at higher stages along the pathway are difficult or impossible to measure. By showing the tool to the interviewees, a first impression of the social enterprises of the tool can be gained.

Figure 3: Impact Narrative Tool







Source: *Partnerships2030*, 2021, n.p.

3 Research Questions

In the previous chapters, the state of research concerning social impact and its assessment, especially the understanding of impact, the associated reasons, and challenges was presented. Moreover, the communication of impact with the help of narratives and emotions was explained. The main research question presented in the introduction tries to determine the potential of the Impact Narrative tool for social entrepreneurship. With the help of the previous literature review the following research sub-questions arose:

1. *How do social enterprises develop an understanding of their impact?*

The variety of existing assessment tools and the overlap of understanding, measuring, and communicating impact raises the issue of which tools or ways social entrepreneurs use for developing an understanding of impact.

2. *How do social enterprises capture and communicate the scope of their impact?*

Since impact communication was made out as a key element of the impact process in subchapter 2.2.2, as it is serving various purposes, this research sub-question is significant to answer the main research question. The communication purpose of the tool as well as the given limitations in existing literature make this research sub-question relevant for the study.

3. *Which levels of impact do social enterprises target?*

Different researchers argue that impact needs to be looked at on different levels and dimensions. Being a rather young and untapped topic in literature, the interviewed social enterprises might enlighten the practical use of different perspectives. Moreover, the lack of extensive literature about impact levels and the focus on impact levels in the Impact Narrative tool underline the relevance of this research sub-question.

4. *Why is it important for social enterprises to understand the scope of their impact?*

Reasons for understanding one's impact were examined in subchapter 2.2.3 This research sub-question is meant to find the most important reasons for social entrepreneurs to understand and assess their impact and check the congruity with the findings from literature.

5. What challenges do social enterprises face in understanding their impact?

As presented in subchapter 2.2.4, different challenges arise in the face of the impact process. By presenting this question to the interviewees, potential research gaps will be shown and existing findings can be consolidated. To test the potential of the Impact Narrative tool for social entrepreneurship, the findings will show if the tool enables to avoid or deal with particular challenges.

4 Methodology

Besides information gained from the literature review, five qualitative expert interviews serve as data sources for answering the research questions.

4.1 Research Design

Five expert interviews with social enterprise experts were conducted for the empirical part of the paper. An interview guide with pre-structured, half-standardized questions was developed and adjusted after conducting a pretest for the most useful outcome. The interviewees were asked about their understanding of the word “impact”, the development and communication of impact understanding, and their understanding of impact levels. Moreover, the opportunities and challenges in impact understanding were examined. To conclude, the impact narrative tool was presented, and the interviewees were asked to give their first impression of the method.

4.2 Data Collection

Since no international legal framework or universal definition for social enterprises exists, two main factors were taken into consideration when choosing interview partners that are based on the definition of *Layrisse-Villamizar et al. (2019, p. 90)*: firstly, the social or environmental mission in the enterprise’s work, and secondly striving for economic success. The origin of the interviewed social enterprises is in Europe, whereas their working field mostly targets international markets and includes global activities. If the ventures’ legal form, way of work and reports matched the chosen definition and showed a detailed presentation of their impact, they were considered suitable for the study. The interviews were conducted between March 30, 2022, and May 12, 2022. Since the interview partners were distributed in different countries and cities, all interviews were conducted via online meetings and in English to avoid interpretation biases.

4.3 Method of Data Analysis

As the most appropriate method for analyzing the data of this study, a qualitative content-structuring analysis according to the method of *Udo Kuckartz* was cho-

sen. A mixed deductive-inductive approach was used for the creation of the coding system (appendix 3).¹ The main categories are therefore created from the theory and the interview guide and filled or adjusted with the insights from the collected data.

¹ The Appendices are not included in this publication for reasons of length. For questions concerning the Appendices, please contact the author.

5 Findings

As explained in the previous chapter, the analysis is oriented toward the main categories, the subcategories and their connections within as well as the overall connections of categories. The main categories thus serve as subchapters and focus on answering the research questions of this study. Subcategories are divided into paragraphs. The order of main categories and chapters is based on the order of the interview questions and the expectation of how connections between those can be outlined best.

5.1 C1: Meaning of Impact

The literature review done in chapter 2.2 presented the varieties of the terms and definitions used for (social) impact. While the definition of social enterprises is lacking a standard as well, the selection process described in chapter 4 Methodology ensured the suitability of interviewees regarding the definition used for this paper. Thus, no further examination of the social enterprise definition is relevant for this research. Meanwhile, the personal or organizational understanding of the term impact needed to be analyzed. Therefore, the first interview question, although it does not directly refer to a research question, was used to evaluate what, for the interviewees, the term impact means. As presented in the coding system in appendix 3, the first main category is C1: Meaning of Impact. The category was coded if the interviewee spoke about the relevance of impact, the definition of the term impact, or a personal understanding of the word. An example for this category is the following: “For us and for me, it’s probably having some kind of positive change, in a certain environment. I mean, for us it’s the ecological and the social part” (appendix 7, Interview IV, p. 2, ll. 40 f.). Another, more simple approach to impact was mentioned in Interview II, “Impact is what we achieve with the actions that we are doing” (appendix 5, Interview II, p. 2, l. 28). Whereas interviewee V showed awareness about the limitations regarding impact, “That is also what the word impact means to me. I also always try to make it clear that impact goes beyond the direct outcomes that are on our own control” (appendix 8, Interview V, p. 4, ll. 92 f.). A differentiation between outcome levels or outputs was only superficially mentioned in two interviews (cf. appendix 5, p. 2, ll. 37 ff.; appendix 8, p. 3, ll. 56 f.). All interviewees agree on their focus on positive impact, which is also considered their success (cf. appendix 4, p. 3, l. 45; appendix 5, p. 2, l. 31; appendix 6, p. 2, l. 41; appendix 7, p. 2, l. 40). However, after specifically asking about the relevance of negative or unintended impacts, most interviewees underlined the importance to be aware of one’s negative and unintended impacts (cf.

appendix 5, p. 3, ll. 46 ff.; appendix 6, p. 3, ll. 45 ff.; appendix 8, p. 5, ll. 106 ff.). This awareness also serves as a strategic reason for impact understanding which will be further analyzed in chapter 5.5. No interviewee referred to a specific definition of impact. Interviewee V pointed out the issue of impact being a “trendy word”, which seemingly is an intrinsic understanding of all interviewees (appendix 8, p. 4, ll. 83 f.). Important passages include terms such as “impact-driven business” (appendix 7, p. 3, ll. 51 f.) or different dimensions of impact, including “social impact, ecological impact, economical impact” (appendix 7, p. 7, ll. 174 ff.). These dimensions also can be connected to chapter 5.4 Levels of Impact. Furthermore, it can be said that impact is the main expression that the social enterprises focus on, leaving synonyms, such as social value creation, as not as relevant. Long-term orientation, which is also referred to as sustainable impact, is another aspect mentioned in the interviews. To summarize, it is important to underline that the interviewed social enterprises show insecurities and differences in what impact means to them. This reflects the result of chapter 2.2, which was the lack of a universally accepted definition in research literature. The definition that was chosen for this paper, “By impact we mean the portion of the total outcome that happened as a result of the activity of the venture, above and beyond what would have happened anyway” (Clark *et al.*, 2004, p. 7), can partly be found in the statements of the interviewees, although the social entrepreneurs are less specific and mostly refer to impact as change or achievements. This insecurity of understanding the term impact will be picked up in chapter 5.6.

5.2 C2: Ways to Develop an Understanding of Impact

The second main category C2: Ways to Develop an Understanding of Impact was derived from the second question in the interview that refers to the first research sub-question, “How do social enterprises develop an understanding of their impact?”

As described in chapter 2.3.1, exemplary tools are theory-based evaluation approaches that can be summarized under the term logic models. For the impact process from Figure 1, which was shown to the interviewees at the beginning of each interview, the Theory of Change and the Impact Value Chain were used as examples for the step of impact understanding. Although being familiar with both approaches, the interviewees mostly mentioned other ways to develop their understanding of impact. A prime example for the category is: “A lot of people are using classical questionnaires, for example” (appendix 5, p. 3, ll. 62 f.).

The two main different perspectives can be divided into internal and external approaches. The external approach especially describes the preference for outsourcing the process of impact assessment as well as having research done. Research, either as the research object or the client, was especially mentioned as an important part of understanding impact in interview III, "One way you can use tools that are calculated for you, that you have research being done previously and they turn it into tools" (appendix 6, p. 3, ll. 67 f.), and in interview IV, "but we have not yet developed our super own model. We're in the process, but we're often part of research projects" (appendix 7, p. 4 f., ll. 99 f.). Moreover, all interviewees mentioned outsourcing as an external approach to understanding impact. "I think if it's well done, it's much better when it's external and not internal" (appendix 5, p. 7, ll. 173 f.), and "A good impact evaluation is something that we hope to be able to do in the coming years, not by ourselves, by an expert from outside, external" (appendix 8, p. 10, ll. 247 f.) are examples of this preference. Challenges such as mission drift and insecurity (chapter 5.6) can be connected to the preference to outsource the impact process.

The internal approaches refer to the fact that the enterprises carry out the process by themselves. Still, most of this process is done with external partners or stakeholders as well as beneficiaries of the social venture. As interviewee IV states, his social enterprise for example is "trying to tackle it together with partners. We're trying to find the right strategic partners for it" (appendix 7, p. 11, ll. 274-276). While strategic partners are part of it, the complete ecosystem of a social enterprise is consulted on understanding impact. This can be underlined with another example, "I think it's a learning process ... But in talking to others, ..." (appendix 6, p. 4, ll. 79-81). Specific stakeholders mentioned are agencies (cf. appendix 6, p. 4, l. 85), clients (cf. appendix 4, p. 4, l. 87), internal teams (cf. appendix 8, p. 5, l. 123) or the beneficiaries (cf. appendix 5, p. 4, ll. 91 ff.). Moreover, besides talking to stakeholders and observing them and the potential changes, questionnaires are being used as a tool to get a better idea of the enterprise's impact, "On the one hand we have the questionnaires, but you also have the observation" (appendix 5, p. 4, ll. 90 f.). The only interviewee that mentioned having developed a Theory of Change, "We are using a Theory of Change to get an understanding of what the scope of changes is that we want to achieve" (appendix 8, p. 7, ll. 165 f.), also refers to surveys as part of the process to improve the Theory of Change (cf. appendix 8, p. 6, ll. 140 ff.).

Another approach mentioned in three of the five interviews is the Sustainable Development Goals (SDGs) of the United Nations' 2030 Agenda for Sustainable

Development.² The interviewees argue the advantages of the SDGs because they help to discern and categorize impacts (cf. appendix 6, p. 3, ll. 42 ff.; appendix 6, p. 4, ll. 89 f.; appendix 7, p. 4, ll. 94 ff.).

Summarizing the statements of the interviewees, it appears that no main approach to developing an understanding of impact can be made from this study. Besides the SDGs, the focus of the social enterprises lies in communicating with stakeholders and gaining insights from them. In contrast, all interviewees argued for outsourcing this process, either with agencies or research projects. All in all, besides the external approach, no systematic process seems to be known or at least used by the social enterprises. The internal development of impact understanding so far appears to be an intrinsic process. Reasons for this might be found in chapter 5.6 which presents the challenges that social enterprises face in the process.

C.2.1: Need for New Methodologies

The subcategory C2.1: Need for New Methodologies symbolizes the relevance of this research in summarizing text segments that refer to the interviewees wishing for new approaches to understand their impact. Examples for this inductively created category include, “I would wish to have a better way to do this” (appendix 5, p. 5, ll. 104 f.) or, “The more practical it can be, the better ... So also a narrative on why you should use effect measurement” (appendix 6, p. 13, ll. 342-344).

Besides the general need for new methods, important aspects or specific needs regarding methodologies were pointed out in the interviews. Mostly the interviewees state the need for a tool that is easy to understand and use. Four of the five interviewees spoke about the feeling of having to develop one's own model (cf. appendix 7, p. 4, ll. 93 f.) or already having developed some kind of own methodology (cf. appendix 5, p. 12, l. 308; appendix 6, p. 2, ll. 67 ff.; appendix 8, p. 11, ll. 285 ff.). Thus, it can be interpreted as relevant for social enterprises to be offered new approaches.

² “The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership” (United Nations, n.d., n.p.).

5.3 C3: Communication

The main category C3: Communication was derived from the second research sub-questions and the third interview question (appendix 2). The main category is divided into four subcategories which will be presented in separate paragraphs.

C3.1: Ways of Communicating Impact

The ways of communication are not only referring to the second research sub-question but also represent an important aspect of the impact process and thus the analysis of the potential of the Impact Narrative tool. Since narratives and stories were made out as important communication tools in chapter 2.2.2, the interviewees were specifically asked if they do use these approaches in their communication if it was not mentioned by the interviewees themselves. Examples for this subcategory are, "I think for now our story was mainly narratives and videos" (appendix 6, p. 5, l. 117) and "We try also an entertaining way to bring across what a tree can achieve" (appendix 7, p. 6, ll. 136 f.). These represent two of the main insights of this subcategory: Firstly, storytelling can be seen as the most important aspect for social entrepreneurs in communication since all interviewees use storytelling and stated the importance of this kind of communication. This is congruent with the literature review which also pointed out the importance of storytelling in chapter 2.2.2. Different approaches mentioned in the interviews are ambassadors, narratives, stories, videos, and quotes (cf. appendix 4, p. 8 f., ll. 214 ff.; appendix 5, p. 9, ll. 239 ff.; appendix 6, p. 5, ll. 125 f.; appendix 8, p. 8, ll. 205 ff.). Secondly, especially interviewee IV points out the importance of making impact communication "a bit more snackable, a bit more fun and a bit more accessible" (appendix 7, p. 8, ll. 207 f.). He underlines aspects of gamification and entertainment combined with educational purposes, "this whole storytelling, the edutainment process, the gamification part, played a vital role in our key message" (appendix 7, p. 6, ll. 156 f.). In addition, quantitative aspects are a vital part of communication as well (cf. appendix 4, p. 7, l. 170 f.; appendix 5, p. 5 ll. 100 f.). Though the need to assess quantitative data is recognized by all interviewed social entrepreneurs, it is pointed out, that communication of impact varies a lot, depending on the audience you communicate with, as analyzed in the following subcategory C3.2. Besides the mentioned aspects of storytelling and quantitative data, the only tool that is mentioned for communication aspects is the Theory of Change, although interviewee V directly explains the resulting challenges when using it as a communication tool (cf. appendix 8, p. 7, ll. 165 ff.). These challenges will be further examined in subcategory C3.4.

C3.2: Dependence on Audience

As mentioned in chapter 2.2.2, communication of impact depends on the addressed audience. The differentiation between communicating in qualitative or quantitative data is mostly made depending on financial or non-financial stakeholders as well as stakeholders that are familiar with the impact and social enterprise scene and the ones that can be viewed as outside of the scene. Financial stakeholders, as well as governments or stakeholders working in the social enterprise's field, specifically look into quantitative data (cf. appendix 6, p. 5, ll. 117-125; appendix 7, p. 7, ll. 179 ff.), whereas other stakeholders prefer being addressed with stories (cf. appendix 5, p. 10, ll. 253 ff.; appendix 8, p. 7, ll. 167 ff.). Interviewee IV differentiates the use of communication methods even further depending on the market that is being addressed. He states that "on the German-speaking market, we always think about facts and numbers" (appendix 7, p.6, ll. 145 f.). The social enterprise that interviewee IV works for is originally from Italy and later expanded to the German-speaking market, Germany, Austria, and Switzerland (D-A-CH). The statement of the interviewee, who is the country manager of the D-A-CH region, is therefore seen as relevant and interesting for further research.

C3.3: Importance of Communication

Subcategory C3.3 was coded, if text passages referred to the importance of communication, excluding aspects that were suitable for category C5: Reasons for Impact Understanding and the corresponding subcategories. To present an example the following passage from Interview III is cited: "That communicating into the outside world, both non-financial stakeholders and financial stakeholders, I think is key" (appendix 6, p. 8, ll. 201 f.). Besides using communication as a way of developing an impact understanding as described in chapter 5.2, the ongoing monitoring and evaluation purpose is also mentioned by interviewee II (cf. appendix 5, p. 7, ll. 175 f.). However, most relevant are aspects of exploring opportunities and involving the social enterprise's community. Examples of that can be found in appendix 4, p. 4, l. 96 or in appendix 8, p. 7, ll. 172 ff.: "Make clear where certain, for example, donors can jump on the boat and how they can participate. Where are the gaps possibly where they can hop on?" Other mentioned aspects are internal communication and therefore motivational purposes (cf. appendix 6, p. 8, ll. 194 f.) and that communicating impact is a part of achieving impact as well by helping people understand one's mission and encouraging them to join (cf. appendix 4, p. 3, ll. 68 ff.). This connection of communication with understanding and achieving impact supports the impact process from Figure 1 and the inclusion of reasons and challenges of all steps into the study.

C3.4: Challenges in Communication

Subcategory C3.4 refers to the specific challenges social enterprises face in the communication process. One of the biggest challenges named by the interviewees is quantification issues or more general possibilities of communicating certain impact, “How do you communicate that? There are a few KPIs that we do communicate, but we ask ourselves all the time” (appendix 7, p. 5 f., ll. 128-130). Besides the quantification, the interviewees seem to be sure not to be able to communicate the full scope of their impact (cf. appendix 5, p. 4 f., ll. 99-105; appendix 7, p. 7, ll. 170 ff.). This correlates with not being able to communicate adequately and making people understand the social enterprise’s impact as underlined by the following statements: “... is the wrong way to communicate because people do not understand anything on the whole thing” (appendix 4, p. 3, ll. 56 f.), or, “the attention span is so short that facts and numbers just don’t attract people” (appendix 7, p. 6, ll. 147 f.). Furthermore, the differentiation of the target group as described in C3.3 and thereby the needed adjustment in language and complexity of communication is mentioned as a challenge as well (cf. appendix 7, p. 7, ll. 176 ff.; appendix 8, p. 4, ll. 73 ff.; appendix 8, p. 7, ll. 166 ff.).

Other challenges that arose from the data are missing success stories (cf. appendix 4, p. 7, ll. 166 f.) or the lack of knowledge in the audience and therefore using inadequate success indicators (cf. appendix 7, p. 6, ll. 123 ff.). Moreover, another challenge that is connected to attribution and credibility challenges analyzed in chapter 5.6, is the fear or experience of facing discussions with stakeholders (cf. appendix 4, p. 5, ll. 120 ff.). All in all, the social enterprises mostly lack possibilities to present the scope of their impact in full detail while keeping the attention of their audiences. This also includes the challenge of addressing different audiences as explained in the previous paragraph.

5.4 C4: Levels of Impact

The main category C4: Levels of Impact is characterized by the example, “the different levels, the level of the community health workers, the level of the communities in rural settings, but also the health system” (appendix 6, p. 6, ll. 148-150). Regarding the third research sub-question, the experts were asked specifically which levels of impact they target. If needed, the interviewees were given examples or short explanations. Interviewee I was not aware of the different levels of impact (cf. appendix 4, p. 7 f., ll. 186 f.). Apart from that, most interviewees agreed on trying to achieve a systemic change as their paramount aim, while

underlining the difficulty of measurability and attribution, which will be further examined in chapter 5.6 (cf. appendix 5, p. 6, ll. 132 ff.; appendix 7, p. 8, ll. 194 ff.; appendix 8, p. 10, ll. 245 ff.). The examples of impact levels given to the interviewees were micro, meso, and macro which were translated to individual, organizational and societal level. Other expressions for levels mentioned by the interviewees include “direct,” “local,” “personal,” “employees and internal stakeholders,” “partners,” “community,” “indirect,” “national” and “global” (appendix 6, p. 7, ll. 166-182; appendix 7, p. 8 f., ll. 194-222). Moreover, especially interviewee IV differentiates dimensions of impact into “ecological,” “economical,” “educational” or “social” (appendix 7, p. 8 f., ll. 199-207; appendix 8, p. 8, ll. 187 ff.). These dimensions also refer to certain levels of impact. The interviewee connects the local level to ecological impact and the personal level to social impact (cf. appendix 7, p. 8 f., ll. 199-202). Originally, part of an answer to the additional research question, which was not examined due to the scope of this paper, interviewee V spoke of the “sphere of world” (appendix 8, p. 12 f., ll. 327 ff.).

The social enterprise works on formulating this sphere which is “A very vague impact” that “would apply to our organization, using the knowledge that they have to also improve the knowledge or build capacity with their major partners within their ecosystem” (ibid.). Because of the interviewee’s explanation, the text passage is seen as relevant for dimensions and levels of impact and included here. Mostly, the social enterprises focus on individual or micro-level impact, which includes direct, local, and personal levels in different dimensions, as well as meso-level impact (cf. appendix 5, p. 6, l. 132; appendix 6, p. 6, ll. 154 ff.; appendix 7, p. 8 f., ll. 194 ff.; appendix 8, p. 9 f., ll. 244 ff.). However, no systematic approach or universal terminology can be made out from the interviews. Macro levels of impact were mostly called macro, societal or systemic when speaking of a fundamental change. The mentioning of community-level impact in contrast to organizational-level impact can be interpreted as two different perspectives. One is the impact level of the community that benefits and the other level is the impact on the organization itself or other organizations in the ecosystem. The interviewees seemed to be aligned on focussing on micro- and meso-level impact while keeping the macro level in mind, without directly targeting it. Moreover, various names for levels are being used and no systematic approach is prevalent.

5.5 C5: Reasons for Impact Understanding

Reasons for impact understanding (C5) were examined as the fourth research sub-question. Four subcategories could be derived from the data, which are similar to the reasons that resulted from the literature review in chapter 2.2.3. This congruence can partly be attributed to the fact, that the interviewees were asked specifically if reasons that were mentioned in research literature are important to them if they did not mention these themselves.

C5.1: Legitimacy and Credibility

All interviewees pointed out the importance to understand and in consequence to be able to present the social enterprise's impact to justify or prove the enterprise's activities (cf. appendix 4, p. 5, ll. 102 ff.). An example for that is, "also to prove your model as a social enterprise" (appendix 6, p. 4, l. 99). The interviewees specifically refer to the need of proving their legitimacy because of being social enterprises, some even argue that to be the main reason for developing an understanding of impact (cf. appendix 6, p. 8, ll. 213 f.). Interviewee II underlines this aspect by describing the challenge of presenting economic success while also pursuing social impact (cf. appendix 5, p. 6, ll. 148 ff.). This will be examined further in chapter 5.6 and the subcategory mission drift. Another reason referring to legitimacy is the official need of reporting on impact. Interviewee IV explains that the reason for that is their company having the Italian legal status of a *Società Benefit* or benefit corporation, which is connected to the certification as a *B-Corporation*.³ This legal status, which exists for social enterprises in Italy, as well as the certification of *B-Corporations*, requires detailed impact reporting (cf. appendix 7, p. 2, ll. 32 ff.). Besides legitimacy reasons, credibility is another aspect that the social enterprises try to create by understanding their full impact, "At the end what we do is, we want to bring transparency to the field" (appendix 7, p. 6, l. 131). This example specifically presents transparency as a reason, which interviewee V refers to as being honest, just and fair (cf. appendix 8, p. 5 ll. 106 ff.; appendix 8, p. 10, ll. 256 ff.). Proving one's legitimacy and credibility is one of the biggest reasons for social entrepreneurs to understand the full scope of their impact to be able to communicate it properly to their stakeholders.

³ *B-Corporation* certification is created by the *B Lab* nonprofit network and given to corporations that let themselves be evaluated. *B Lab* aims at certifying leaders in a sustainable economy (cf. *B-Corporation*, n.d.a, n.p.; *B-Corporation*, n.d.b, n.p.).

C5.2: Acquiring Resources

Acquiring resources, especially in terms of funding and supporters, is seen as a vital element to develop an understanding of impact. For interviewee I specifically it is important to convince supporters, including customers (cf. appendix 4, p. 10, ll. 259 ff.; appendix 4, p. 15, ll. 403 ff.). This can be connected to the challenge of C6.3: Scale and Time because the social enterprise is the youngest enterprise that is mainly focused on expanding its community. Meanwhile, the longer-established social enterprises from interviews II to V state the importance of impact understanding for convincing donors, governments, investors, partners, or organizations to receive new funding or grants and secure new collaborations (cf. appendix 6, p. 5, ll. 102 f.; appendix 7, p. 10, l. 255; appendix 8, p. 11, ll. 274 ff.). An example of this subcategory is the statement of interviewee II, “Then of course to get new collaborations, to get new fundings” (appendix 5, p. 6, ll. 149).

C5.3: Staff

Although staff can be categorized as a resource that is sought to be acquired, the subcategory was created due to its relevance and more aspects mentioned regarding the employees, besides the acquisition. Nevertheless, interviewee IV points out the importance of employer branding and of being aware of one’s impact for recruiting purposes, “Everyone wants to get the best talents in the market and there’s a hard fight on them. Being able to show what you do and the impact you have is a very, very big plus. And also, it is what is expected. So I think just in the war on talent, it’s a very important fact” (appendix 7, p. 10, ll. 247 ff.; cf. also appendix 7, p. 9, ll. 231 ff.). Besides the acquisition of staff, understanding the full scope of impact mostly serves motivational and alignment purposes within the enterprise, “I think at the same time internally everyone is motivated for the same cause” (appendix 6, p. 8, l. 191). The interviewees argue, that by understanding impact, the employees know what, how, and why they are working and that this also represents a condition for becoming more successful in achieving impact (cf. appendix 7, p. 9, ll. 221-241; appendix 8, p. 3, ll. 58 ff.; appendix 8, p. 5, ll. 122 ff.).

C5.4: Strategic

The subcategory C5.4: Strategic is the most coded category within the reasons of impact understanding. Within this subcategory, three major areas can be distinguished: monitoring and evaluation, strategic clarity, and avoiding negative or unintended effects. The subdivisions are not disjunct topics but rather consequences of each other. Strategic clarity results from monitoring and evaluation processes that include the consideration of unintended and negative effects. The

statement “Well, the first thing is to know why we are working, why we are doing what we are doing and if this is successful” (appendix 5, p. 6, ll. 147 f.) serves as an example that also underlines the benefits of constant evaluation and self-reflection. Monitoring and evaluation can be interpreted as the biggest reason to be aware of the scope of your impact. Besides learning effects within the organization and its ecosystem, improvements in decision-making processes and activities and thus achieving a larger scale of impact can be pursued with the help of impact understanding (cf. appendix 6, p. 9, ll. 237 ff.; appendix 7, p. 9, ll. 237 ff.; appendix 8, p. 10, ll. 262 ff.).

An aspect that deserves a separate mentioning is the exploring of new opportunities by examining your impact, “also seeing the opportunities, there was the opportunity to work on job employment or on poverty reduction” (appendix 6, p. 4, ll. 81 ff.). With opportunities, interviewee III describes new ways of achieving impact, especially different levels or sorts of impact the social enterprises did not include in their planning before (cf. also appendix 7, p. 9, ll. 235 ff.).

Strategic clarity describes the text passages that especially focus on understanding how impact is achieved and how it is planned to be achieved in the future (cf. appendix 5, p. 8, ll. 188 ff.; appendix 8, p. 3, ll. 51 ff.). Furthermore, avoiding negative or unintended outcomes is specifically mentioned in three of the five interviews (cf. appendix 5, p. 3, ll. 46 ff.; appendix 6, p. 3, ll. 45 ff.). An exemplary text passage states, “to make sure that we can really optimize that positive change, we also need to show ... what is sometimes a negative consequence, to be able to get rid of it” (appendix 8, p. 5, ll. 110 ff.).

5.6 C6: Challenges of Impact Understanding

Various challenges are faced in the process of impact understanding. Thematically, four subcategories were derived from the data while subcategory C6.1: Insecurity was created as an analytical code that includes different statements that were interpreted as insecurities of the social enterprises.

C6.1: Insecurity

Three different topics of insecurities can be derived from the text: the complexity of tools, the inability to understand the full scope of impact, and the relevance of understanding impact. Interviewees I and II focus on the complexity of tools and therefore on outsourcing the process, “The tools that we are offered, with all this outcome, output and input, it's super complicated” (appendix 5, p. 7, ll. 176 f.; cf. also appendix 4, p. 5, ll. 123 f.). Meanwhile, interviewees IV and V express their

insecurity concerning the ability to understand the full scope of their impact. This especially is justified by pointing to the different continents, countries, and communities the social enterprises work in which makes it more complicated for them to find one suitable tool to use in all surroundings (cf. appendix 7, p. 11, ll. 277 ff.; appendix 8, p. 3 f., ll. 66 ff.). This is symbolized by the need to develop one's own model which was already mentioned in chapter 5.2. Interviewee III emphasizes the need to convince their own organization and stakeholders to evaluate and develop an understanding of impact (cf. appendix 6, p. 3, ll. 57 ff; appendix 6, p. 9, ll. 235 ff.; appendix 6, p. 12, ll. 314 ff.). Another insecurity that is connected with main category C1 refers to the differences in what impact means. These differences were elaborated in chapter 5.1 and hence seen as an essential challenge and insecurity.

C6.2: Mission Drift

The interviewed social entrepreneurs all agree on the challenge of potential mission drift, although they use a different description, "Also keeping your focus always on impact while also maintaining your business case" (appendix 6, p. 8, ll. 188 f.). This example characterizes this subcategory. The double strain on the entrepreneurs to improve their business case, as well as their impact, leads to a shift of focus (cf. appendix 5, p. 6, ll. 152 ff.). Moreover, not generating direct monetary value, impact understanding and assessment are often prioritized less than the enterprise's other activities (cf. appendix 4, p. 13, ll. 333 ff.; appendix 6, p. 9, ll. 231 ff.; appendix 7, p. 11, ll. 290 ff.).

C6.3: Scale and Time

Two examples are characteristic of this category. Firstly, "We would like to take care more about it, but right now our funds are that small that we don't have any influences" (appendix 4, p. 12, ll. 322 f.), and secondly, "It is a longer-term perspective that you say, 'OK, we need it and therefore we invest in it'" (appendix 6, p. 9, ll. 228 f.). These examples depict the two forms of this subcategory which are the scale and age of an enterprise as well as the time frame needed to be able to understand one's impact. The youngest of the social enterprises, where interviewee I works, especially emphasized the need to scale up to achieve and prove their impact (cf. appendix 4, p. 4, ll. 75-85; appendix 4, p. 7, ll. 175 ff.). The interviewee summarizes this aspect by stating, "Our big problem is just to get the size" (appendix 4, p. 11, l. 288). Interviewee IV supports the statement that size is an essential challenge regarding impact evaluation (cf. appendix 7, p. 3 f., ll. 70 ff.). The time-frame aspect refers to understanding impact, especially higher-level impact, only from a longer-term perspective (cf. appendix 5, p. 6, ll. 132 ff.;

appendix 6, p. 9, ll. 226 ff.). A young start-up, therefore, is automatically limited in evaluating and presenting its impact.

C6.4: Attribution and Credibility

The subcategory C6.4 Attribution and Credibility is characterized by the example, “especially because there are multiple elements that have an effect on health or on the person’s life” (appendix 6, p. 3, ll. 64 f.). Not being able to attribute certain changes to the social venture’s actions does not only represent a challenge in developing an understanding of impact but a hurdle in communicating impact as well. Attribution and credibility are not separate challenges but connected issues. Attributing one’s actions to visible changes helps to be able to prove that attribution leads to improved credibility. At the same time, communicating changes and attributing them to one’s action without being able to prove it, might result in a decrease in credibility and therefore a loss of support (cf. appendix 4, p. 5, ll. 114 ff.). But as interviewee III states in the example above, provable attribution is challenging. One reason for that is underlined by interviewee II, “To make the conclusion that, what we achieved before, really led to societal change would be a lot of work and help would be needed” (appendix 5, p. 6, ll. 134 f.). This statement is connected to the challenge of needed resources, which will be further examined in the following subcategory C6.5. Besides the needed resources, the measurability of impact is another challenge that the interviewees mention (cf. appendix 4, p. 15, ll. 407 f.; appendix 5, p. 2, ll. 39 f.; appendix 6, p. 4, ll. 71 ff.; appendix 8, p. 10, ll. 248 ff.). Interviewee III states the importance of evidence by collecting data and analyzing it, also with the help of researchers (cf. appendix 6, p. 5, ll. 101 ff.). However, research and collecting data require resources and need to be carried out over a substantial period of time. Thus, the challenge of attribution and credibility is closely related to the challenges of the subcategory C6.3: Scale and Time, as well as the challenge of C6.5: Required Resources. What the interviewees state, is the common practice of enterprises to claim impact that cannot be proven or attributed to their actions (cf. appendix 4, p. 15, ll. 390 ff.; appendix 5, p. 9, ll. 233 ff.; appendix 5, p. 11, ll. 293 f.). Being aware of that, interviewee V emphasizes, “Because we cannot be claiming too much. We cannot be claiming an impact, whereas there are also other many other actors involved that we cannot really influence directly” (appendix 8, 4, ll. 89 ff.).

Interviewee I describes his experience of discussions with stakeholders due to attribution and credibility issues regarding the various possibilities of what planting a tree can mean and thus how much impact it has. This led to a strategy change within the company, rethinking the social enterprise’s approach (cf. ap-

pendix 4, p. 3, ll. 47 ff.; appendix 4, p. 5, ll. 101 ff.). Hence, in facing these challenges, a better understanding of one's real impact and chances of improvement are given, including by trial and error. The challenge of attribution and credibility is intertwined with the need for resources to evaluate one's impact, the scale and existing time of an enterprise as well as the insecurities of the social entrepreneurs. Moreover, attribution and credibility are vital aspects of communication and the stakeholders' support.

C6.5: Required Resources

Most of the previous subcategories and statements of the interviewees originate in the challenge of providing the resources required. As elaborated in the previous chapters, resources in terms of employees, time and finances are a scarcity for social entrepreneurs. In consequence, social entrepreneurs need to decide where to lay their focus. Often, an extensive impact assessment and understanding are not considered as important as gaining new financial resources or investing in the social enterprise's actions (cf. appendix 6, p. 9, ll. 224 ff.). Connected to the challenge of C6.2: Mission Drift is the fact that the resources of staff and time can mostly be acquired with financial resources. Accordingly, social entrepreneurs focus on gaining or generating financial resources to hire employees, agencies, or researchers that allow them to spend more time developing an understanding of the social enterprise's impact.

An example from the interviews for this subcategory is, "The impact topic can easily be a full-time job for a big huge team and we're not" (appendix 7, p. 11, l. 274). This statement from the Country Manager of one of the interviewed social enterprises refers to a team of 90 people. He elaborates on the need to tackle impact evaluation with partners and emphasizes the advantage of being "in a good financial position" (appendix 7, p. 14, ll. 367 ff.). This advantage does not only help to find partners for impact evaluation but to invest time in impact understanding themselves. These know-how offering partners are mentioned as a required resource by other interviewees as well (cf. appendix 5, p. 6, ll. 134 ff.; appendix 5, p. 7, ll. 172 ff.; appendix 6, p. 10, ll. 249 ff.). The resource-intensive process of impact evaluation is underlined by all interviewees, specifically the financial aspect of it (cf. appendix 4, p. 10, ll. 270 ff.; appendix 5, p. 4, ll. 75 ff.; appendix 6, p. 9, ll. 225 ff.; appendix 7, p. 11, ll. 295 f.; appendix 8, p. 10, ll. 246 ff.). Thus, the need to use resources efficiently is a factor mentioned multiple times in the interviews. One of these efficiently used resources is time. While interviewee III points out that time is not only needed for the impact evaluation itself but also for researching adequate tools beforehand (cf. appendix 6, p. 10,

ll. 249 ff.), interviewee V emphasizes that the “development of Theory of Change can be very conceptual, long” (appendix 8, p. 6, ll. 135 ff.).

5.7 C7: Potential of the Impact Narrative Tool

Category C7 was created from the main research question and the last part of the interviews, which included showing the Impact Narrative Tool, as presented in Figure 3, to the interviewees and asking them for their first impression.

Interviewees I and II similarly described the tool as too complex (cf. appendix 4, p. 14, l. 382; cf. also appendix 5, p. 10 f., ll. 268 ff.). Interviewee II expresses that the division of outcome levels into three separate ones is unknown to her (cf. appendix 5, p. 10, ll. 263 f.), whereas interviewee IV describes taking various factors into account as positive (cf. appendix 7, p. 13, l. 353). Giving examples and providing guiding questions were ideas stated by the interviewees that could help to understand and use the tool (cf. appendix 5, p. 11, ll. 279 ff.; appendix 6, p. 12, ll. 321 ff.). Meanwhile, interviewee IV positively assesses “the communication side of it” (appendix 7, p. 13, l. 356). The interviewee underlines that by arguing that, “the visual style of it ... makes it easy to understand” (appendix 7, p. 13, l. 354). Interviewee V supports this statement by specifically describing the visual style as helpful for the reader (cf. appendix 8, p. 14, ll. 378 ff.). Moreover, interviewee V states, “This is a regular impact logic I would say. However, really good. I think it’s a good way of structuring it” (appendix 8, p. 14, ll. 371 f.).

6 Conclusion

As presented in the beginning, the impact process from Figure 1 presents two essential aspects of the process, the separation into impact understanding, impact measurement, and impact communication as well as the monitoring and evaluation aspect of the iterative process. The Impact Narrative tool does not help to measure impact, but it can be essential to understand and communicate a social enterprise's impact. Further development of the impact process figure however is not seen as valuable here.

6.1 Interpretation of Results in Context of Literature and Research Questions

Before interpreting the findings in the context of the research questions, a general remark about the meaning of the word impact needs to be made. As pointed out, neither research literature nor the interviewed social enterprises focus on one definition of impact. Rather, the interviewees expressed various, more and some less specific, understandings of the term. What was shown in the literature review as well as in the interviews, is the focus on positive changes, in ecological, economic, and social dimensions. Moreover, the long-term orientation of impact is paramount to short-term achievements, although being more challenging for social enterprises. Also, all interviewees were aware of unintended and negative impacts. While the definition of *Clark et al.* thus seems to be too specific in practice, *Wainwright's* inclusion of short- and long-term, positive and negative as well as intended and unintended changes can be verified by this research (cf. *Clark et al.*, 2004, p. 7; *Wainwright*, 2002, p. 10). Other expressions used for impact that were described in chapter 2.2 did not appear to be of relevance for the social enterprises. In the following, the research sub-questions are separately interpreted before answering the main research question.

1. Research Question: How Do Social Enterprises Develop an Understanding of Their Impact?

Impact measurement approaches are widely examined in the literature, whereas systematic approaches for understanding the full scope of one's impact are limited to logic models such as the Theory of Change. The initially described methodologies of the Theory of Change and the Impact Value Chain are known by social entrepreneurs but mostly not used for this purpose. The research shows, that the development of impact understanding is more of an intrinsic process combined with communicating with stakeholders and relying on their feedback.

Theory-based approaches do not seem to be practical methodologies that are being used by social businesses. Still, research, communication, and long-term planning were important aspects for the social ventures to understand their scope of impact. These aspects were also made out as essential when working on a Theory of Change. The alignment, strategic and attribution purposes that can be pursued with a Theory of Change are important factors why an impact understanding should be developed, another finding that both the social entrepreneurs and the literature review emphasized. Besides, social entrepreneurs seem to prefer to outsource this process to focus on the enterprise's mission and activities. In addition, the relevance of this study was underlined by subcategory C2.1, which summarized the need for new approaches. Social entrepreneurs feel the need to create their own tools with external advice or by themselves since no given approach suits them well. The development of more holistic approaches that are easy to use should thus be an aim for future research.

2. Research Question: How Do Social Enterprises Capture and Communicate the Scope of Their Impact?

As described in chapter 2.2.2, the most essential findings concerning impact communication are: 1. Impact communication needs to be considered a key aspect of acquiring resources, convincing customers and media as well as motivating staff, 2. Impact communication needs to enable stakeholders to understand the complex missions and actions of social enterprises, 3. Communication needs to be tailored to different audiences, 4. Narratives are a central methodology, 5. Quantitative data combined with a strong business model are vital aspects of communication. The research confirmed all these aspects as relevant for all social entrepreneurs that were interviewed. In addition, the interviews showed challenges in communicating impact. These factors can also be summarized under the need of developing new methodologies and systematic processes for social businesses in impact communication. A mixture of quantitative data and storytelling, tailored to the addressed audience, to achieve a wide spectrum of goals, is the way social enterprises capture and communicate their impact. However, no specific tool was mentioned or is used besides the methodology of narratives and stories.

3. Research Question: Which Levels of Impact Do Social Enterprises Target?

The study showed a diverse understanding of impact levels. While one interviewee was completely unaware of the topic of impact levels, others differentiated dimensions and levels in various ways. Again, neither universally accepted terms nor systematic approaches could be made out from the interviews or the literature

review. However, focussing on *Maas and Like's* approach of three impact levels (micro, meso and macro) in combination with the dimensions of ecological, economic and social, appears to be most congruent with what social enterprises focus on in practice. The macro level, which the social entrepreneurs mostly call systematic or societal change, is not targeted directly but described as the overall aim. Measurability and attribution issues for this level were mentioned in literature as well as by the interviewees and therefore interpreted as relevant for future research. Two aspects appear to be relevant as well: Firstly, the fourth dimension of educational impact, and secondly the separate perspectives of organizational changes next to community changes on the meso level. Although one might assume that the educational dimension can be assigned to the social dimension, the interviewees emphasize their educational aim not with respect to their beneficiaries but their supporters and the stakeholders with whom they communicate. The orientation along *Maas and Like's* approach of impact level and dimensions is an adequate basis that needs to be expanded in a more detailed way to enable a holistic approach to impact understanding.

4. *Research Question: Why Is It Important for Social Enterprises to Understand the Scope of Their Impact?*

As conjectured in chapter 2.2.3, reasons for developing an understanding of impact are connected to reasons for impact measurement and communication. Thus, the five main reasons found in the literature review (avoiding mission drift by achieving strategic clarity, scaling of impact, resource acquisition, alignment of employees, and proving legitimacy and credibility) were congruent with the findings in the study. In consequence, these reasons can be confirmed as the main reasons for social enterprises to develop an understanding of their impact. Moreover, employer branding for recruiting purposes, motivational purposes as well as the legal need to report on impact can be added. However, the legal need to report is specifically connected to certification reasons, donor requirements or the legal status of a social enterprise which does not exist in many countries yet as explained in chapter 2.1. Additionally, the interviewees emphasized the monitoring and evaluation purpose of the process which includes becoming aware of negative and unintended outcomes to avoid those in the future.

5. *Research Question: What Challenges Do Social Enterprises Face in Understanding Their Impact?*

Challenges in understanding one's impact that were worked out in the literature review in chapter 2.2.4 are most extensively identical to the challenges the social

entrepreneurs mentioned. Fundamental insecurities of social entrepreneurs originate in lacking a universal definition of the word impact and being overwhelmed by the complexity and variety of approaches. No universal methodology fits all purposes and all social enterprises, which underlines the importance of classification research as *Maas and Liket's*. Moreover, attribution and credibility issues that are connected to measurability challenges as well, demand investing resources in the impact process in order to communicate impact properly. However, resources are scarce for social enterprises, especially financial resources that would allow them to engage with new partners or hire agencies or employees. This again leads the social entrepreneurs to prioritize financial resources over impact and its assessment which is not only a challenge but a risk for the businesses, the so-called mission drift. Furthermore, findings in research literature are congruent with the empirical research which underlined the limitations of impact assessment for young or small enterprises. This is because certain impacts require longer time frames to unfold.

Main Research Question: How Can the Impact Narrative Tool Help Social Entrepreneurs to Develop and Capture an Understanding of Their Impact?

By answering the research sub-questions, the main research question can be looked at from different perspectives. The study showed, that although various impact assessment approaches exist, understanding the impact of a social enterprise does not follow systematic processes. The lack of universally accepted definitions and legal frameworks leads to insecurities for the entrepreneurs that fear wasting resources in impact assessment. The continuous double strain of proving financial success while achieving impact to justify their legitimacy does not allow the entrepreneurs to focus on impact assessment. This assessment, which starts with understanding the full scope of impact, bears challenges but more importantly chances in improving the enterprises' impact and success. Besides the lack of resources, which might result in mission drift, attribution and credibility issues are important challenges that need to be mentioned here. All challenges intensify if a social enterprise is young or small-scaled, which makes it difficult to start and gain support. But in overcoming the challenges and continuously monitoring and evaluating one's impact, social enterprises might explore opportunities and chances they were not aware of beforehand. Scaling of activities and subsequently impact is a risk that should be based on the enterprise's understanding in which dimensions and on which levels its impact is being achieved. This strategic clarity helps to avoid mission drift, and it is also helpful in decision-making processes and in the alignment of staff. Moreover, negative and unintended impacts can be avoided if the social venture raises its awareness

of its full scope of impact. Besides, onboarding, recruiting, and motivation of staff are essential for social enterprises and are supported by a strong understanding and communication of impact. Communicating impact is a key aspect for social enterprises, internally and externally. It serves several reasons, from legitimating the social enterprise's existence to attracting new supporters. As elaborated on in this paper, communication only works with the combined use of quantitative data and emotional, visual storytelling. Furthermore, the need to tailor stories and communication methods to the addressed audience was a clear result of this study.

In conclusion, it can be said that there is a need for less complex approaches in impact assessment. Still, the diversity of social enterprises does not make it easier to develop approaches that fit the various needs to enhance impact understanding.

The Impact Narrative tool was presented in the research and judged by the interviewees whose impressions of the tool vary. While being judged as too complex by some, others emphasized liking its structure, visual and communication style. Besides this first impression of the social enterprises, the potential of the tool concerning faced challenges and processes in understanding impact will finally be discussed in the following.

The need for new, holistic methodologies that can depict the full scope of impact including achievements along the way became apparent as a result of the empirical research. The Impact Narrative tool provides such a new method by rethinking the Impact Value Chain and diversifying the outcomes achieved along the way. The iterative nature of the process, which should include continuous monitoring and evaluation to improve and scale the impact of social enterprises, is graphically emphasized in the tool.

With the visual style of the tool, which might not only attract the attention of potential audiences but help them understand the complex actions of social enterprises, the Impact Narratives tackle various challenges that social enterprises face in understanding and communicating their impact. While missing quantitative data and the possibility of proving the claimed outcomes and impact, the tool enables an understanding of impact on diverse levels and steps. For social enterprises, the levels shown in the tool might need adjustment, but in terms of satisfying the diversity of approaches in social entrepreneurship, different sets could be offered which the entrepreneurs could choose from. Depicting these levels, which should at least include individual, organizational, and community, as well as societal level impact, allows the stakeholders as well as the social

enterprise to develop a more detailed understanding of impact. The measurability of impact was an essential aspect that arose from the literature review as well as from the empirical study. Although not changing this issue, the Impact Narrative tool changes the perspective on communicating and understanding parts of one's impact without the need of measuring it directly. This is symbolized by different spheres in the tool. Due to the scope of this paper, the spheres were not examined further. Though, it can be said that more details enable a deeper understanding in general. Interesting to add to the tool might be dimensions of impact that separate the levels into social, environmental, economic, and educational. One of the main reasons for understanding one's impact is strategic clarity. The Impact Narrative tool could help the entrepreneurs to become aware of the unintended and negative impacts as well and in consequence allow them to avoid them.

In conclusion, the Impact Narrative tool might be of use to social entrepreneurship in communicating and understanding their impact in a more detailed way. Nevertheless, the complexity of the tool needs to be reduced by examples, guiding questions, and the investment of time and research. The tool is not able to overcome all challenges that social entrepreneurs face in understanding their impact, but it combines key aspects from detailed impact evaluation, capturing impact, and communicating impact that might be helpful not only for the social enterprises themselves but for their stakeholders as well.

6.2 Implications of Research and Recommendations for Practical Use

This study showed the difficulties social entrepreneurs face in understanding their impact and how to engage in that process. As pointed out, the lack of legal frameworks, as well as universally accepted definitions for (social) impact and social entrepreneurship, does not only challenge the entrepreneurs themselves. It is a topic extensively mentioned in research literature. Yet, no unification of approaches has been achieved. Understanding impact is an especially difficult challenge for social entrepreneurs in their start-up phase. This challenge can just be overcome with longer time frames for legitimizing themselves and letting them achieve a certain scale. In practice, young social enterprises should be supported to be able to plan their long-term impact while considering potential negative outcomes as well. Although various impact assessment approaches exist, either social entrepreneurs do not know about them or do not have the resources to research and use them, or the approaches are not suited for the social enterprises. Legal frameworks would help not only to guide and categorize existing social enterprises but especially help young social start-ups. Moreover, the relevance of

social entrepreneurship could be emphasized with legal frameworks that allow for better monitoring and following developments in the social entrepreneurship sector. Furthermore, these frameworks should be accepted or comparable internationally. Although a social enterprise needs to be aware of the challenges of assessing its impact in detail and communicating it, the importance of investing resources in that process is indisputable and should therefore be supported by governments and donors.

6.3 Limitations and Outlook for Future Research

This paper implies certain limitations. Although interviewing globally active social enterprises from several European countries and including international research, it is impossible to state if all findings are congruent with social enterprises from other international markets. The used definition for choosing social enterprises for the study might exclude or include certain enterprises that would or would not have been included if another definition had been applied. Furthermore, the wording of impact understanding is new to the interviewees and not widespread in research. Although presenting the self-developed impact process (Figure 1) to emphasize the different topics of impact understanding and impact measurement, the interviewees often changed their wording to impact measurement. Further research should examine if a strict separation of these areas is possible and necessary.

By only interviewing five experts, insights on aspects not mentioned in the research literature were expected and gained. Still, to verify the findings of this study a bigger set of data would be necessary. Moreover, interviewing experts with varying language skills in the English language bears the risk of losing information or misunderstandings regarding either the interview questions or the interviewees' answers. To pursue research as international, independent, and confirmable as possible, the decision was made to carry out the interviews in the same language with all interviewees. For future research, this aspect needs to be reconsidered.

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KCE Kompetenzzentrum
für Entrepreneurship & Mittelstand
der FOM Hochschule für Oekonomie & Management

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Einen Beitrag zur Sicherung und Weiterentwicklung des Standortfaktors Mittelstand leisten – so lautet die Zielsetzung des KCE Kompetenzzentrums für Entrepreneurship & Mittelstand. Gemeinsam mit mittelständischen Unternehmen und Verbänden werden betriebswirtschaftliche Fragen, u. a. aus den Bereichen Unternehmertum sowie Gründung und Nachfolge, untersucht. Wichtig ist dabei die Anwendungsorientierung der Forschungsprojekte. Neue Erkenntnisse sollen zu verwertbaren Ergebnissen in mittelständischen Unternehmen führen.

Neben der Zusammenarbeit mit Verbänden und Unternehmen genießt die Kooperation mit anderen Forschungseinrichtungen innerhalb und außerhalb der FOM Hochschule eine hohe Priorität. Auch Studierende sowie Dozentinnen und Dozenten sind herzlich eingeladen, an Projekten des KCE mitzuwirken. Eine Vielzahl an Untersuchungen und herausragenden Abschlussarbeiten tragen mit dazu bei, das Wissen über Zusammenhänge und Wirkungsweisen der Forschungsfelder Entrepreneurship und Mittelstand zu vergrößern.

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