

What Price for Being Nice

Social Performance Measurement at The Land Conservancy

by Stephan Burckhardt

Many nonprofits have a mission to do good for society by serving a particular community, be it in the arts, social services, healthcare, education or recreation. Their basic mandate, inherent in the sector, is to work for the commons, the good of the communities they serve.

Since the major reductions in funding the sector on the part of government in the 1990s (Murray, 2006), government, donors, the general public, and other stakeholder groups of Non-Profit Organizations (NPOs) have started to demand increasing transparency and evidence of effectiveness and efficiency in the way the nonprofits are run and their budgets are expended.

NPOs have applied a variety of measures for this purpose which range from improved governance to a more strategic orientation in management practices and various forms of reporting including public disclosure. Reporting practices still focus on the financial aspects of nonprofit management, but increasingly the environmental and social dimensions are being scrutinized and even quantified for measurement and management purposes. The old business axiom that “what gets measured gets managed” applies as much to the voluntary sector.

This paper discusses how social performance indicators might be applied in the nonprofit sector. It uses The Land Conservancy (TLC), Victoria, B.C., as an example to explore whether, and how, such measurement tools might be used to the benefit of the organization and its constituents.

In practice, the concept of measuring not only financial, but also environmental and social performance was first developed for business and is now just starting to be seriously looked at by the voluntary sector. Since the first, highly candid social performance reporting by the pioneering triple

bottom line (TBL) company Ben & Jerry's Ice Cream in 1989 (Hollender and Fenicell, 2004), many companies have started reporting on their social performance.

John Elkington, chairman of SustainAbility, first placed TBL -- also known as "People, Planet, Profit" - on the global agenda. His groundbreaking work (1997) reinforced the view that corporations were accountable for their impact on sustainability by using a TBL business model and that accountants had a substantial role in measuring, auditing, reporting, and benchmarking it.

Shortly before that, Land (1996) was the first to propose measuring the social impact of nonprofits, focusing on output, outcome, and what he termed side-effect indicators. Two years later, Richmond (1998) framed a Social Return on Investment by attributing financial values to non-financial assets. Today, the trend for measuring non-economic indicators in both the private and voluntary sectors is pointing towards an integrated approach that considers a broad range, if not all areas, of performance.

Social and environmental components are central to many organizations in the voluntary sector, especially those with sustainability concerns who are involved in recreation, conservation, and environmental protection, such as The Land Conservancy. The mission and values of many NPOs contain statements of the social contract they are aiming to fulfill.

The constitution of TLC states that "the purpose of the society is to contribute to and improve the education, health, and welfare of the general public and to benefit the community as a whole..." (The Land Conservancy, 2008), while protecting natural areas. Its projects therefore intrinsically combine social and environmental common good.

Social criteria are an important element in many of the projects developed or acquired by TLC and the organization's management has expressed an interest in using mechanisms to measure social performance. It has, however, not yet developed the necessary tools to assess this dimension of its work in relation to its stakeholders. This is primarily due to an intense focus on capital projects and acquisition for which TLC feels that its window of opportunity is short and needs to be taken advantage of as quickly and efficiently as possible.

The Land Conservancy is not only acquiring and managing natural resources to protect them in perpetuity and make them selectively accessible to the public, but also concentrating on preserving national and regional heritage of cultural significance. Such heritage is only as valuable as the community deems it to be and TLC management feels strongly that these projects have to be firmly rooted in their local communities in order to be successful over time.

For example, their Craigflower project, a National Historic Site of Canada, requires “the involvement of the community” and is only made possible through “the support and generosity of the community” (The Land Conservancy website, 2008). On its cultural heritage program, TLC states that “Many individuals and communities are turning to TLC to help conserve our fragile heritage resources” (Ibid.).

It might be useful to know just how this community involvement and support comes about, how much of it is needed to be sustainable and how well the community is really served with such projects. It would also serve the organization better to obtain this information not merely by anecdotal accounts or hear-say, but through quantitative and qualitative evidence that can be reproduced and reported for all projects and even the organization as a whole.

Determining the value and effectiveness of the programs and services offered by nonprofits has garnered increasing scrutiny in recent years and requires meaningful performance measurements (Mollenhauer, 2000; Murray, 2006). This applies as well to the social dimension.

Despite the fact that sociologists and psychologists have developed a vast array of qualitative and quantitative tools for measuring social performance, these have not been widely adopted by either the private or voluntary sectors to measure or benchmark social criteria. As Ebrahim (2003) states, probably “the most important factor is cost”. Also social standards are difficult to quantify and evaluate because they often rely on qualitative data that can be highly unreliable. Determining the usefulness and cost-to-benefit ratio of measurement activities is equally challenging.

These are topics TLC will also have to examine closely in order to create a system that serves a truly meaningful purpose.

According to Raynard (1998) “the issues facing many nonprofit organizations today are somewhat similar to those in the corporate sector... What is needed is an organizational approach to understanding and developing social auditing... All organizations are struggling with ways in which they can set standards of social performance for themselves, so that they have something against which they can be judged.”

“The poorly understood and studied relationship between CSR (Corporate Social Responsibility) and intangibles sheds light on the relationship between Corporate Social and Financial Performance... Better understanding this relationship is useful for nonprofits in fulfilling their reporting requirements to government partners, as well as the public, and in satisfying the demands of their funders” (White, 2006).

While many social performance measurement systems have been developed, the difficulties in applying metrics to “soft” social areas, especially in the voluntary sector, have also been widely reported (Raynard, 1998; Lindgren, 2001; Ebrahim, 2003; Mook, Richmond and Quarter, 2003).

A number of well-established and emergent sustainability organizations, such as the Global Reporting Initiative (GRI), the International Finance Corporation (IFC) of the World Bank Group, Local Governments for Sustainability (ICLE), and Social Accountability International (SAI) with its SAI 8000 standard, have developed social performance indicators.

The GRI standards are becoming the most widely used methodology to measure sustainability performance that includes the social dimension (Global Reporting Initiative, 2008). As part of their procedure, disclosures on all aspects of an organization are suggested (some are optional or industry-specific), ranging from strategy to governance and stakeholder engagement.

As we shall see later in this paper, stakeholder integration is also relevant to TLC in developing benchmarking criteria. The process covers the following three aspects: areas for its identification, the approach to engagement, and the stakeholder groups themselves.

According to Rogers, Jalal and Boyd (2007), “Social Development Indicators provide the final element of the social dimensions of sustainable development”. Applying such benchmarks is proving to be yet

another leadership challenge for nonprofits. But it is one that could also provide significant benefits if done correctly.

What are the challenges facing NPOs interested in adopting social performance measurement? What issues does TLC need to consider to make this a viable, cost-effective and strategically useful exercise? What metrics might be adopted and what process should best be used in doing so?

In addressing these questions, we need to examine the robustness of social benchmarking methodologies and how these might be applied to a small, resource-constrained nonprofit such as TLC, so that the benefits substantially outweigh its inevitable costs.

For NPOs, especially small ones that can barely muster the resources to finance their administration and core operations, the key to justifying the cost of social auditing lies in linking measurement to strategic intent. As Mayo (1996) notes, “social auditing can serve as a valuable tool for strategic planning and organizational learning, if the information on stakeholder perspectives and social performance is fed back into decision processes.”

Ebrahim (2003) adds that “for a sector that views itself as largely mission-driven, there is an urgent need to take performance assessment seriously in order to justify activities with substantiated evidence rather than with anecdote or rhetoric... Developing an internal capacity in NGOs for conducting long-term evaluations of their own work is an essential strategic response... in that it can assist in forming long-term approaches to addressing social development problems, particularly by better including stakeholders into decision-making and by linking organizational values to plans.”

Because of the structure and funding mechanisms of NPOs, the natural tendency has been to measure project outcomes, rather than taking an organization-based systems approach (Raynard, 1998). The author proposes that wider stakeholder involvement as well as external verification and disclosure are necessary to make the process meaningful and link it to objectives and strategy. Any such effort “should very much be about strengthening them in a variety of ways; in relationships with their stakeholders, in being more effective, etc.” (Ibid.).

Lindgren (2001) finds that “goal displacement... seems to be the Achilles heel of performance management” by which the measuring system that is applied diverges too much from the programs being measured. She explains that as a result the process can distort the direction of the program itself, which is exactly what happened in the large organization the author studied in Sweden.

Therefore, special care needs to be taken to develop the correct criteria in a process that involves stakeholders, uses pre-testing, and is subject to on-going refinement. She concludes that for performance indicators to be relevant, they should also correspond closely to inputs, processes, outputs, and outcomes.

What this means for TLC is that the organization needs to carefully select the criteria it wants to measure and make sure they are closely linked to the mission and values it has set down as its guiding principles. As quoted above, these are “to contribute to and improve the education, health, and welfare of the general public and to benefit the community as a whole” (The Land Conservancy, 2008).

Specifically and at first glance, this linkage would mean developing and using criteria that measure contribution, improvement, as well as, educational, health (recreation), and welfare aspects of stakeholder communities. These must include staff, volunteers, members, local communities, and the general public served by TLC programs and projects. It might also encompass funders and other important constituents.

One form of social performance measurement, known as social accounting, aims to quantify certain social elements into a value-added component that can be measured, quantified and reported in dollars. According to Weber of Volunteer Vancouver (1999), “social auditing refers to a process through which an organization assesses, reports, and improves upon its social performance and ethical behaviour, especially through stakeholder dialogue.”

One obvious area where this method could easily be applied in many nonprofits, including TLC, is for quantifying the contributions volunteers make and determining the leverage donated dollars create through this major value-added factor. Such reporting could be useful in year-over-year comparisons

internally and for satisfying some of the external needs for submitting evidence of the organizations effectiveness to donors and other outside agencies. In addition to the quantification of attributable volunteer time, it might also be worth measuring training and education, as well as accident rates.

As applied to staff, social metrics can cover a broad range of hard and soft issues that might include percentage of female to male employees (in total and in top management), training and education, idea management, diversity, use of the disabled, accident rates, number of trainees / apprentices. Other human resource-related issues might cover review process, fluctuation rate, and lost days. Some of these criteria can also be usefully applied to major suppliers and partners.

Finally, the manner in which measurement and benchmarking activities are put into action is crucial. The same discipline and rigour that is applied to financial management -- which by now has been well understood by even the smallest NPO -- needs to prevail in the social dimension.

As noted in a series of class journal assignments by this author on most aspects of TLC's functioning, its financial management and reporting practices are of a high standard, using the widely adopted GAAP standard (in the private sector) and Carver model (in the voluntary sector) as guidelines. This sets the stage for a similarly disciplined and comprehensive approach to social aspects of the organization's work and bodes well for the ultimate success of such an undertaking.

As Székely and Knirsch remark (2005), "Social sustainability metrics need to fulfill the same criteria as the two above-mentioned pillars of sustainability [economic and environmental]: company-wide, frequently collected to allow for timely corrections, performance compared to a starting point as reference, audited externally, comparable internally and externally, user-friendly and meaningful, balanced cost / benefits in measuring / reporting / achieving results. Additionally qualitative background information can yield valuable insights into achievements and future goals."

Social performance measurement is still fairly new and untried. In addition, its seeming complexity and unavoidable cost can be daunting. Properly developed, evaluated, selected, and implemented, they

may provide useful information that can be applied to an NPO's management and goal-setting activities, and help keep it on mission and on track.

Is it worth it for TLC to undertake such a process? And if so, what can The Land Conservancy realistically expect to get out of it? As the organization matures and becomes more institutionalized, and as its finances stabilize with planned giving gaining traction and membership reaching sustainable levels, it would certainly be helpful to have performance data over time. This could then be used both in external reporting and internally for change management purposes and for the strategic planning process currently being undertaken for the first time.

Deputy Executive Director Ian Fawcett stated (telephone interview, conducted March 13, 2008) that TLC wants to move towards developing a conservation culture. Building a culture is primarily an effort that takes place in the field of civil society, one that has to do with people first (and only then with places, programs and projects). While there are of course many aspects to building a culture, strengthening the community fabric is certainly a central one, one to which social performance measurement might usefully be applied.

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