Placing ecological and social value at the heart of the economy

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Social economy stakeholders champion an alternative vision of the economy; an economy that is socially useful and creates shared wealth, and does not simply boil down to financial return. They put social worth, i.e. the desire to create social value, at the heart of their plans. This value is multidimensional (economic, social, societal, political and environmental) and benefits not only the project stakeholders but also society as a whole.

The downward trend in public budgets, funding, and the "results-driven culture" in funding decision-making by private funding bodies tends to make assessing social impact a constraint. Furthermore, despite numerous efforts to widely introduce social impact assessments, they are most often still complex procedures because of their length, cost, the sheer range of existing methods, and the need to adopt a bespoke approach for each project, tailored to its remit, challenges and resources.

The initial objective of the *ESS et création de valeur : vers une nouvelle approche de la mesure d'impact social* [The Social Economy and Value Creation: moving towards a new approach to assessing social impact] study, jointly undertaken by AVISE, Fonda and the Social Economy Laboratory, was to enable social economy stakeholders to "reclaim" social impact assessment, which is often regarded as a bind and something to be endured, when it should be a strategic challenge: by incorporating social impact assessment into their steering tools, and by using it to foster social innovation, by using it to bring together stakeholders, in order to identify new needs and new target groups, and in this way encourage the emergence of innovative practices.

The study is therefore based on a review of the latest developments in measuring social added value, sector by sector, some of which are on a monetary basis. Moving beyond differences in methodology, the rafts of indicators nevertheless tend to reduce social impact to the avoided costs that can be measured in the short term, forcing social stakeholders to offer functional services, based on a standardized view of beneficiaries' social needs. Reducing social added value to financial return is therefore likely to foster the development of projects with limited objectives. By becoming a top-down and standardised process, social added value assessments would paradoxically result in value creation being hampered, the "quantification of qualities" leading to social initiatives being regulated based on "budget performance" criteria, i.e. pure and simple cost reduction.[1]

This criticism can be put in different terms: monetization of social impact is tantamount to the calculation of economic value being extended to non-profit sectors. Consequently,

[1]Alexandra Bidet & Florence Jany-Catrice, "Quantifier les qualités", *La Revue Française de Socio-Economie*, 2017/2 (n°19), p. 19-26.

rather than pitting social "quality" against economic quantity, we need to begin by "qualifying" social value.

The social value cycle incorporates the externalities of economic activity

The *economic value* of a good or service stems from the variable combination of three components: its cost, usefulness, and liquidity, i.e. how easily it can be traded. *The social value* of an activity or initiative can be measured using a similar process: its cost may comprise a production cost (primarily the wage bill for the social stakeholders) and a *contribution cost,* if that is how we want to refer to social transfers (tax and contributions funding services) and also human, volunteer or professional involvement; it has a worth, for beneficiaries, for whom it increases capacity, and for society, the strength of social links manifesting itself by a large number of usages; finally, even if it cannot be traded, at the very least it must be *accessible*, the cardinal virtue of activities whose end goal is to build an inclusive society.

In economics, the concept of value is inextricably linked with that of scarcity. Relative scarcity, in fact, depending upon the availability of the good or the intensity of the rivalry to obtain it. This banal concept is nevertheless of interest in quite a different way if we consider the question of resources. Regardless of whether they are natural or social resources, the question is not so much about their scarcity at a given time or in a given place (this determines their marginal utility) but rather about their *renewal* or their "sustainability". The issue of energy, raw materials and biodiversity, regarded from this angle, has led to the emergency of the circular economy. A similar issue arises in the social sector. Indeed, the social activity whose impact we are endeavouring to assess draws its resources *from what society has in common or has already shared:* land, living together in society, solidarity and involvement make up shared resources, while public money, educational and social institutions are "shared". Mobilisation of these resources enables activities to be developed, which produce achievements that generate results, whose attributable consequences are social impacts. If repairing or preventing the impoverishment of society is the justification for social activity (exclusion, isolation, dependence, violence, pathologies), it can logically be deduced that its aim is *increasing shared resources:* making regions more vibrant, strengthening social links, activity rates, the capacity to take action and be entrepreneurial, which in turn nourish public resources and institutions. This is how the linear impact assessment chain turns into an ecological and social resource regeneration cycle.

The rationale can also be applied from the perspective of social activity beneficiaries (on the understanding that beneficiaries are also stakeholders): for them, the end goal of the activity is their inclusion in society and the development of their capacity or their ability to act, with the latter not being defined as an individual skill or the effect of collective organisation, but instead as the *individual benefit of mobilising existing community resources.*[2]

[2] See Yann Le Bossé, *Sortir de l'impuissance, T1 : fondements et cadres conceptuels*, Québec, ARDIS, 2012.

This definition references the analysis undertaken by Elinor Ostrom of management of "*the commons*" or "*common pool resources*. [3]

It is worth reiterating that the aim of this analysis is to use case studies to extricate the rules of governance that ensure compatibility between individual income from resource exploitation and the renewal of the resource. However, although "commons governance" has become the paradigm of an alternative economy, neither Elinor Ostrom nor her many poor imitators have been able to demonstrate in what circumstances this paradigm can be operational on a large scale, apart from for the management of local resources. The introduction of the concept of social value and the analysis of the corresponding value chains seem to be a promising way of overcoming this difficulty.

Economic activity plays a full role in this circular pattern provided that the ecological and social externalities that it generates are included as shared resources. Only the nature and distribution of the results change: in the economic cycle, they are shared out between employees, shareholders and other stakeholders, while in the social cycle, there are employees, stakeholder-beneficiaries, and other stakeholders. In other words, *there are no external effects but instead only shared resources needed for the economic activity and affected by it.* The creation of economic value by valuing the relative increase or drop in available/accessible shared resources, could instead be envisaged, albeit not in an absolute manner. This is the rationale behind Amartya Sen's "capability approach": the more access that individuals have to resources, the more they develop their activity, and the more they renew these resources.

This relative measurement enables us to escape from the hegemony of financial return: included in the social value cycle, budgetary expenditure will have a diffracted impact across several individual and collective scales of value, staggered over time, some of which will only be quantifiable in terms of avoided costs, because alongside cost control, resource accessibility (including resource distribution), and the range of usages are, in the same way, component parts of the created value. In this context, equivalence, i.e. the shared value of things, is not expressed by a unit of measurement defined in advance but instead by the value, inevitably composite and consequently pondered or negotiated, that we give to shared resources, their sustainability and their fragility.

Value creation and raison d'être

The launch of this discussion about value creation has been met with a significant amount of reluctance in the social economy sector. Are we not in the process of becoming consumed by the terminology, concepts and values of the dominant economy and financial capitalism? Are we not running the risk of losing sight of the human and social dimension at the heart of the social economy? In contrast, several arguments advocate being bold and firmly taking ownership of this issue.

Climate change and the natural resource depletion that we are facing all around the world must inevitably have an impact on the aims of economic activity and economics.

[3] Elinor Ostrom, *Governing The Commons*, Cambridge University Press, 1990.

To date, what have been considered as "externalities", i.e. external consequences (and consequently having no impact on the economic sphere) are proving to be the very prerequisites for this activity and the life of human societies. We repeat, there are no longer any externalities, but only limited and fragile resources, and if the term "sustainable development" means anything, it is that an economic activity can only be regarded as creating value if it helps to renew these resources.

There is now no longer any doubt, including in the international financial institutions that championed the neo-liberal Washington Consensus for 30 years, that the concentration of wealth and worsening inequality are threatening the very vitality of society and democratic institutions. Furthermore, the financial mechanisms that underpin capitalism are not value-creation mechanisms but instead monopolize and concentrate the value created in all spheres of society. The budgetary and tax policy change of direction needed to reverse the trend of inequality and social division hinges upon a new vision of the invisible value of collective services, for which the health system offers a striking example. Long considered solely from the angle of "health spending", the value it generates for society only becomes apparent when it collapses after a decade of budget constraints. The sudden appearance of the pandemic has made glaringly obvious the destruction of value caused by a purely financial approach to managing the health system!

The end of the neo-liberal cycle will not take the form of a return to an administered economy. Taking back control of the challenges and collective resources is now based on the economy and the governance of tangible and intangible "commons". The climate crisis and the immense need for investment and industrial, agricultural, urban and transport transformation that it involves is incompatible with an economy based on individual preferences and regulated by simple incentives. The only effective comparisons for the effort required, in terms of intensity and value, are the World War II and Cold War efforts. This time round, the difference is that it is not the military-industrial complex at the heart of the effort, but the economy of commons: natural resource management, sobriety based on sharing and reuse, massive investment in research and education etc. In all of these areas, it is a safe bet that capital, debt, costs and benefits are the words which will take on a new meaning. The massive debt taken on by States with the resources to do so and the suspension by Brussels of budgetary rules have sounded the death knell for an entire system and are turning the spotlight on the question of value because during this time, everyone knows only too well *what matters the most* to them.

The thinkers and major players of global capitalism are now gripped by doubt. When the Boston Consulting Group advocates the abolishment of *total shareholder value* in favour of *total societal impact* to drive corporate strategies,[4] or when the business world is seriously considering its *raison d'être,* it is because they are starting to realise that an economy that is neither social nor solidarity-based is simply destined to fail.

[4] www.bcg.com/publications/2017/total-societal-impact-new-lens-strategy.aspx

In their 2011 article introducing the concept of "shared value",[5] Porter and Kramer already felt that the challenge was to save capitalism.

A decade later, we can have a radically different ambition: the social economy is no longer the "third sector" between the state and the market which has defined it for a long time, but instead a laboratory for the switch to a post-capitalist economy and a social democracy based on a capacity to take action. This is why the social economy can now assertively move on from justifying its social impact to affirming its value-creation ability, and consequently develop assessment instruments tailored to its remit.

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An overview of the "Social Economy and Value Creation" study

A shared framework for assessment processes

The work done by AVISE, Fonda and the Social Economy Laboratory aims to offer **a shared vision** of social impact assessment, through a revised depiction of social value and its creation within an extended value chain. Rather than promoting a given method, this prospective study aims to help social economy stakeholders to incorporate this vision in their social impact assessment process by means of methodological **pointers,** which are conceptual (see the extended value chain) and practical (see the seven prerequisites). The third phase of the study specifically provides an educational rationale to support the development of social impact assessment processes, with the assessment **method** being just as important as the outcomes.

The Social Economy and Value Creation study highlights the three phases involved in any assessment process:[6]

- **The undertaking** This phase involves working out "what matters", in other words, the assessment criteria based on the selected project and scope.
- **Evidencing** Having developed quantitative and qualitative indicators, this phase involves "assessing" social impact, i.e. collecting and assessing data.
- **Decision-making** The final phase aims to encourage the project developer and stakeholders to take ownership of the assessment results by learning from the results and developing a shared point of view.

The time and resources dedicated to each phase will vary from one organisation to the next, but these three phases must in turn meet seven prerequisites that need to be kept in mind throughout the process:

[5] Michael Porter and Mark Kramer, *Creating Shared Value*, Harvard Business Review, Jan-Feb 2011

[6] Avise, La Fonda and Le Labo de l'ESS, *ESS et Création de valeur* study, report 1, December 2017, p.13-17

1. The assessment process must be seen as being accessible and worthwhile.
2. The process contextualizes the project in a regional ecosystem.
3. Beneficiary and contributing stakeholders are involved at the appropriate time.
4. The assessment process is inherent and an integral part of the entity's strategy and management, as soon as it is developed.
5. It takes into account all the positive and negative impacts caused by the entity's initiatives.
6. It has a long-term perspective.
7. The process can bolster bargaining power with stakeholders and funding bodies and facilitate the rollout of value-creating initiatives by identifying unmet needs.

Value chain analysis

Introduced in 1985 by Michael Porter, value chain analysis enables a company's competitive advantage to be ascertained.[7] This can be analysed as a set of activities. Each of these activities, which combines means of production, human resources, technology and information, is both a source of value and a cost factor. A competitive advantage is achieved by an optimal combination of activities within and around the business, while seeking to strike the right balance between cost reduction and increasing value creation for each activity, i.e. differentiating from competing products and services. From the company's point of view, defining value is a simple task: it is the price that the client is willing to pay for the product and/or service.

The company's value chain is part of a flow of activities involving its stakeholders (suppliers, sub-contractors, competitors etc) who also have their own value chains. The internal and external links between activities influence the value chain in different ways: for instance, pooling services enables economies of scale but generates coordination, compromise and complexity costs. Porter writes that "competitive advantage starts with the premise that competitive advantage can arise from many sources and shows how all advantage can be connected to specific activities and the way that activities relate to each other, to supplier activities, and to customer activities."[8]

The client is at the centre of a value chain: the product that the client buys has no value in itself but is part of a set of activities whose value is measured either in monetary terms, time spent, relational intensity, prestige etc. The differentiation that a firm is able to create for a product is not only based on its intrinsic quality but the way that its value chain is linked to the client, i.e. the way in which the firm's product is used or consumed by the client. "Thus, the value a firm creates for its buyer is determined by the whole array of links between the firm's value chain and its buyer's value chain."[9]

Three key proposals can be deduced:

In a value chain, there is no status difference between the categories of economic agents, whether they are services within the same firm, companies within a group, groups within a sector, producers or end consumers.

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[7] Michael Porter, *L'avantage concurrentiel* (1985), tr.fr. Paris, Dunod, 1999.
[8] Porter, op.cit., preface.
[9] Porter, op.cit., p.168.

A strategy involves combining value chains (those of suppliers, sub-contractors, competitors and clients) based on a fair evaluation of the relative constraints/choices the person has in each activity in the chain: to what extent can costs be reduced without compromising usefulness, or to what extent can the usefulness be increased without making the costs unbearably high?

The value chain concept implies that there is always value sharing between activities (and therefore the stakeholders) in the chain. In a competitive landscape, the relevance of the strategy is measured by the relative share of value that the person obtains. In a cooperative setting, it is based on striking the right balance between cost and value created. A social activity, just like a production or service delivery activity, is structured by value chains and is part of wider value chains, which include the usage of public money.

Zero Long-Term Unemployed Areas - creating social value

Devised in 2014 in the village of Pipriac and driven forward by the ATD Quart Monde movement and now operating in 10 areas of France, the *Territoires Zéro Chômeurs de Longue Durée*[10] [Zero Long-Term Unemployed Areas] serves to illustrate this rationale. It involves transferring all the benefits paid to the long-term unemployed into wages, within the framework of *entreprises à but d'emploi* (EBE or job-oriented companies) in which the long-term unemployed work in line with their skills and preferences, based on needs identified jointly by the neighbourhood's stakeholders (residents, associations, businesses, institutions, local government etc). The work can be highly varied (natural area maintenance, recycling centres, *conciergerie solidaire* [socially-responsible concierge service], urban logistics etc) but the commonality is that the market does not supply these services, most often because they are not financially profitable. The trial enabled these activities to be made economically viable because of public funding used to cover most of the cost of the jobs created under the scheme. Public funding therefore makes it possible to set up business activities whose value does not revolve around economic profitability, but instead their ability to boost the economic and social resources of a given area based on the aims set by its members, including the long-term unemployed.

The Zero Long-Term Unemployed Areas scheme therefore provides a different perspective on social investment. The economic viability of the trial obviously requires the savings generated by the project for the public authorities to be measurable: based on the rationale of "activating passive expenditure", the institutions and local government bodies bearing the financial cost of long-term unemployment fund the project, up to the amount that they save because of it. However, evaluating the avoided costs does not convey the added *social* value of the scheme. Assessment of these costs enables the amount of the public funding contribution to a social value chain aiming to revitalize an area's resources to be calculated: this revitalisation firstly takes the form of converting unemployed human resources into workers in paid employment; it then creates new social and economic resources thanks to the new economic activities. This social value chain typical of Zero-Unemployed Areas is based on achieving a balance between shared costs, accessible and available resources, and functions that meet the needs of the area's stakeholders.

[10] See ATD Quart-Monde, *Territoires zéro chômeur de longue durée*, June 2014, online.

Experiences and tools for social economy stakeholders

Social economy stakeholders need to take ownership of and not simply "endure" assessment in order to develop meaningful processes. This involves professionalizing social economy enterprises by systematically including assessment in their portfolio of skills; making the exercise accessible to each social economy enterprise, and ensuring that the process fits well with the specific features of each organisation.
The challenge of taking ownership of the process is not a vain wish: it is tangibly embodied in several dynamics fuelled by social economy stakeholders, notably aiming to foster collective approaches to social impact assessment.

- The process around the "Social Economy and Value Creation" study developed by AVISE, Fonda and the Social Economy Laboratory brought together some 60 social economy and assessment stakeholders to discuss how to overhaul social impact assessment.
- The VISES project (Highlighting the Social Impact of Social Entrepreneurship): supported by European Interreg funding, over four years (ending in late 2019) this project brought together 21 partners from Hauts de France and Belgium to highlight the contribution made by social enterprises to a region's dynamism.
- *Le Mouvement associatif* (umbrella group for non-profits in France) is proposing to raise member awareness about the issues surrounding social impact assessment.
- Collective approaches facilitated by AVISE's ESF (European Social Fund) call for projects, including Fonda's work on value chains, but also the trialling of a social impact assessment process for business and employment co-operatives, developed by *Coopérer pour entreprendre* (network of business and employment co-operatives), and the initiative run by UNAPEI to develop social impact assessment within its network.
- The joint project run by the French Red Cross, Emmaus, Les Restos du Coeur and Les Petits Frères des Pauvres, aiming to develop shared social impact assessment terminology in their large organisations and a process, and potentially even tools shared by the members of these associations.

The challenge of taking ownership of assessments also involves tools and training for stakeholders who support social economy organisations, in a "first steps" approach to assessment. This is the aim of the trial *Cap Impact* programme aimed at these stakeholders (incubators, DLA [Local Support Mechanism] coordinators, AVISE's work to support scaling-up) offering support via the online tool *Impact Wizard,* which complements the Valor'ESS toolkit, the reference framework of indicators put forward by UDES (Union of Social Economy Employers) and developed with its members.

Nevertheless, the increase in the number of methods raises fear of social impact assessment being indiscriminately taken up and utilized. The challenge now is to firstly raise the profile of these various methods and make them more user-friendly for social economy enterprises, so that they can utilize the one that suits them best. The methods listed above can be taken on board to a greater or lesser extent, with each being more or less suitable based on the organisation's challenges, size and setting.

Finally, sharing experiences, methods and tools over the coming years is one of the pre-requisites if social economy stakeholders are to take ownership of social impact assessment. In this respect, spaces for sharing and learning do exist, such as the *Centre de ressources national de l'Evaluation de l'impact social* (www.avise.org) (Social Impact Assessment National Resource Centre) and the Social Value France network of practitioners run by AVISE.