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Social enterprises, capabilities and human development

Andre Wongtschowski

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Social enterprises, capabilities and human development

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Abstract. Governments, the private sector and the third sector fail to provide essential, life-changing goods and services to a substantial share of the world's poor, causing the bulk of humanity in the lowest tiers of the economic pyramid to lack access to affordable critical goods and services that could play an important role in improving their livelihoods. Social enterprises, organisations that rely on the proposition of mutual value creation – the provision of valued societal returns to local communities and the production of acceptable economic returns to their investors – have emerged as

alternative models capable of sustainably bridging this gap. Recent literature is filled with praise for social enterprises. However, a meaningful exploration of their impact on poverty alleviation has lagged. Acknowledging this gap in the literature, and using the capability approach as an analytical framework, this paper investigates the extent to which social enterprises are effective agents of development. The findings suggest that, while social enterprises systematically create opportunities for the expansion of a range of central human capabilities, they are only part of the solution.

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1. Introduction

1.1 Background

Governments, the private sector and the third sector fail to provide essential, life-changing goods and services to a substantial share of the world's poor. As a consequence, the bulk of humanity in the lowest tiers of the economic pyramid does not have access to affordable, critical goods and services that could play an important role in improving their livelihoods. It is now commonly accepted that "the vast majority of nations and people in the world have yet to benefit from the apparent triumph of capitalism" (Hart, 2007, p.23). Some estimates put at over 4 billion the number of people¹ that have been largely bypassed by globalisation (Hart, 2007, p.116). For all its benefits, globalisation has led to a "growing divide between the haves and the have-nots that has left increasing numbers in the [developing world] in dire poverty" (Stiglitz, 2002, p.5).

Alternative models capable of sustainably bringing affordable, critical goods and services to parts of the world where markets, governments and the third sector have failed are now emerging. These are the social enterprises, organisations that rely on the proposition of mutual value creation: they provide valued societal returns to the local communities in which they operate and generate acceptable economic returns to their investors (London, 2009, p.583).

Recent literature is filled with praise for social enterprises. They have been commended as "long-term organisations that see the poor not as passive recipients of charity but as agents who want to change their own lives" (Heath Brothers, 2010). Central to this line of argument is the belief that "when the poor are treated as consumers, they can reap the benefits of respect, choice, and self-esteem and have an opportunity to climb out of the poverty trap" (Prahalad, 2005, p.99). In a complementary string of argument social enterprises are seen to "contribute to reducing market failures and to improving the welfare of people and communities, thus supporting economic development in general" (UNDP, 2008, pp.28-9), and similarly to "manage transactions that are not efficiently managed by markets, be it from an economic or a social point of view [and to] also complement the supply of general interest services when public funding is lacking or not available" (UNDP, 2008, pp.28-9).

1.2 Description of the problem and objective of the study

While broadly accepting the bearing of the arguments raised by these different commentators, a fundamental question needs to be asked: to what extent do social enterprises advance human development?

Regrettably, research and practical evidence on the extent of the contribution of social enterprises to human development is limited and inconclusive. While much has been written over the past decade about opportunities at the bottom of the pyramid (Hart, 2007) and about new strategies for entrepreneurs and established corporations to tap into this market (Prahalad, 2005), a meaningful exploration of the impacts of social enterprises on poverty alleviation has lagged (London, 2007, p. 2). Acknowledging this gap in the literature, this paper aims to investigate the extent to which social enterprises are effective agents of development.

1.3 Analytical framework

The capability approach, a theory of human development pioneered by Amartya Sen, will be used as the analytical framework to support this investigation. The approach will inform this study in two central ways. First, it will provide the conceptualisation of human development adopted in this paper - in summary, that the goal of human development and poverty reduction is the expansion of one's capability to achieve the things one values (Sen, 1999). Second, the solutions offered by the capability approach to evaluate progress of the process of development will be used to assess the extent of the contribution of social enterprises to human development.

1.4 Structure of the paper

Chapter 2 reviews the literature on social enterprises, placing particular emphasis on discussions regarding their emergence as agents of development, definitional issues, and the measurement of their contribution to poverty reduction.

Chapter 3 briefly introduces a number of concepts from the capability approach, which is used as the conceptual framework for the discussions that follow. Chal-

allenges in impact measurement faced by the capability approach are compared to the analogous challenges faced by social enterprises, and the solutions offered by the capability approach to these challenges are then applied to the social enterprise context.

Chapter 4 describes the components and methodology of the multi-case study, followed by a presentation of the findings. Chapter 5 presents the author's conclusions, and considers implications for policy-makers, philanthropists and social entrepreneurs.

NOTES TO CHAPTER 1

1. 4 billion is the approximate number of people living on US\$ 1.500 a year, roughly US\$ 4.3 a day (Hart, 2007, p. 116).

2. Literature review

2.1 The shape of things

In rich and in developing countries, the private sector, governments and the third sector fail to deliver critical goods and services to significant numbers of poor people, thus depriving them from a central mechanism for improving their livelihoods. Reasons for this failure abound.

For the private sector, a number of motives appear to be central. First, very low-income people are frequently unappealing to businesses, which often assume they have little money to spend on non-essential goods and services, and thus represent no significant market opportunity. Second, a number of logistical barriers, such as poor distribution systems, dispersed customers and inadequate infrastructure, are often in place, limiting access to poor consumers. Third, knowledge about poor consumers' preferences, behaviours and requirements is frequently inadequate, limiting the ability of traditional corporations to efficiently reach out to them. Fourth, poor consumers often show a preference for products and services with low unitary value; that requires a whole different go-to-market strategy that few traditional enterprises boast. Fifth, goods and services provided by mainstream corporations, and multinationals in particular, are largely tailored for rich-country consumers, or rich- or middle-class consumers in developing countries. The technologies and organisational structures developed to meet the needs of these customers cannot be easily deployed towards low-income consumers because it is very problematical to remove costs from such a business model without affecting the quality or integrity of the goods and services provided (Hart, 2007, p.121). Finally, the combination of some or all of the conditions above creates a risk/return profile that is not acceptable to traditional investors pursuing purely financial returns.

In the case of governments, insufficient revenues to pay for basic services, such as energy, housing, clean water and healthcare, add up to a lack of management capacity to put limited resources to good use. In addition, corruption and entrenched political and economic interests too often divert funds to waste and outright abuse. Even in rich countries, models of extensive welfare provision proved "insufficient for distributing welfare inclusively, as evidenced by its difficulty in coping with the growing inequalities and social exclusion" (UNDP, 2008, p.15).

As for traditional, top-down aid, charity and philanthropy, their finite amount of funding renders interventions limited in scale, scope and continuity. Though they frequently meet immediate needs in crucial ways, too often they fail to enable poor people to solve their own problems over the long term. As noted by Sam Goldman, the head of D.Light Design¹, "The scale of the problem is measured in billions. If we want to grow to that scale, we have to do it backed by massive amounts of capital (...). We can affect a lot of lives as an NGO, but if we want to affect a billion people's lives, it has to be done with a different set of models" (Goldman, 2009). Additionally, aid and charity frequently engender a sense of dependency rather than dignity; poor people seek the latter, not the former. Ultimately, "The record of aid and loans from the various donor countries and the World Bank, International Monetary Fund, and other institutions is at best mixed" (Prahalad, 2005, p.78).

These combined failures mean that the poor either have no access at all to critical goods and services or are often forced to pay more – up to 50 times as much – than middle- and high-income consumers for basic goods and services such as water, medicine, phone services, and electricity (Prahalad & Hammond, 2002, p.8). Adjusted for income levels, these differentials are all the more shocking.

2.2 The shape of things to come: social enterprises

The emergence of social enterprises

Social enterprises are not exactly novel organisations, with some authors tracing their origins to ventures operating as early as the mid-1800s (Alter, 2010, pp.10-16). Although there is certainly a multitude of distinct origins for social enterprises, two main streams seem to have been particularly frequent. First, a number of organisations have traditionally made use of commercial activities in order to generate revenue to support socially-oriented programme activities. Over the past ten to fifteen years, this practice seems to be becoming considerably more widespread, as an "increasing number of non-profits are faced with decreasing funding from both government and foundations" (Emerson et al., 2003, p.36). A second stream of social enter-

prises appears to have come from socially-minded entrepreneurs that “have chosen a for-profit vehicle as the best means of delivering on their social mission” (ibid).

Encircling these two streams is the perception that two key drivers are at play simultaneously. First, there is growing interest in exploring new poverty alleviation approaches, as both governments and the development community are “confronted with the challenge of having to serve too many ‘customers’ and with increasing pressure to expand their impact (London, 2007, p.7). Second, there is increasing appreciation of a larger role for market-based ventures in serving the needs of the poor, as enterprises look for new customers and suppliers on their continuous search for profitable growth.

This results in the “intriguing idea that business-oriented motivations of growth and profits can potentially be aligned with the development community’s efforts to scale their poverty alleviation efforts” (London, 2007, pp.7-8). The stage for the emergence of social enterprises at a scale much larger than in the past seems, therefore, to be set.

Definitions

Defining social enterprise is part of an on-going debate in the social enterprise literature, with some commentators recognising that “the definition of social enterprise today is anything but clear” (Martin and Osberg, 2007, p.30). Part of the problem stems from the multitude of organisations sharing similar but distinctive characteristics, such as conventional businesses with strong emphasis on corporate social responsibility, on one extreme, and philanthropic organisations with strong emphasis on market mechanisms, on the other. Quite different organisations may share the social enterprise label but little else; a workers cooperative marketing products globally and an individual entrepreneur running a local not-for-profit venture are likely to be almost entirely dissimilar.

Some contributors have come to suggest that there may be little value in trying to establish clear-cut definitions for social enterprises, while others stress that definitions are important to “differentiate social enterprises from other types of public or commercial organizations” (Peattie and Morley, 2008, p.5). Other observers have come to prefer the middle ground and rather than define social enterprises, propose to convey the features that characterise them (McManus, 2004; Trelstad, 2008). This paper adopts this stance and characterises them as follows:

- A business venture providing goods and services on a permanent basis, while generating acceptable economic returns to their investors;

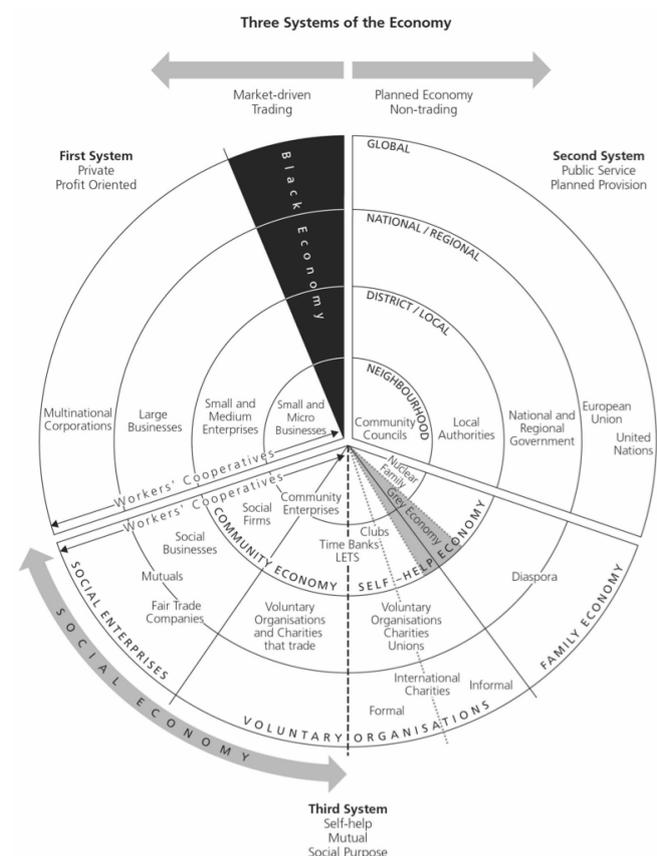
- An explicit and intentional goal of maximising social impact;
- Potential for scale: reach can be increased by expanding or replicating the business
- A high degree of stakeholder participation is preferred
- Profit motivation is either non-profit or for-profit, while dividends may or may not be distributed to shareholders.

Locating social enterprises

A comprehensive framework for locating social enterprises within the economy is suggested by Pearce (2003), and is reproduced in Figure 2.1.

The framework suggests there are three ‘Systems’ of the economy. The First System is where the private sector, with a profit orientation, operates. Here are located enterprises from small and micro businesses up to large multinational corporations. The Second System is occupied by the public sector and by multi-lateral and supra-national agencies and bodies. From local community councils to United Nations, the sec-

Figure 2.1. Three Systems of the Economy Framework. Source: Pearce (2003)



ond sector engages in the non-commercial, planned provision of goods and services. The Third System is perhaps the more diverse. Some of its organisations operate a trading, market-driven model (in a way similar to the private sector), while others operate a non-trading, planned economy model (similarly to the public sector). The Third System encompasses the social economy, the non-trading part of voluntary organisations, the family economy and the self-help economy. Within the social economy are located the trading part of voluntary organisations, the community economy and, finally, social enterprises. These range from local community enterprises to national social businesses to global fair trade companies.

Pearce locates social enterprises at the left of the Third System, or closest to the private sector, based on their “aspiration for or drive toward financial self sufficiency through trading in markets and their use of ‘entrepreneurial’ skills” (McManus, 2004, p.6). Organisations of the Third System often cross the inner boundaries; voluntary organisations that trade will frequently operate similarly to social enterprises, charities may regularly operate at both sides of the formal-informal divide, and emerging social enterprises might operate similarly to voluntary organisations that do not trade. In practice, therefore, there is a trading continuum that spans across the Third System, which is graphically represented in Figure 2.2.

Pearce's framework's major value is that it simultaneously articulates the complexity of organisations and operating models while providing useful guidance as to the location of social enterprises within the economy.

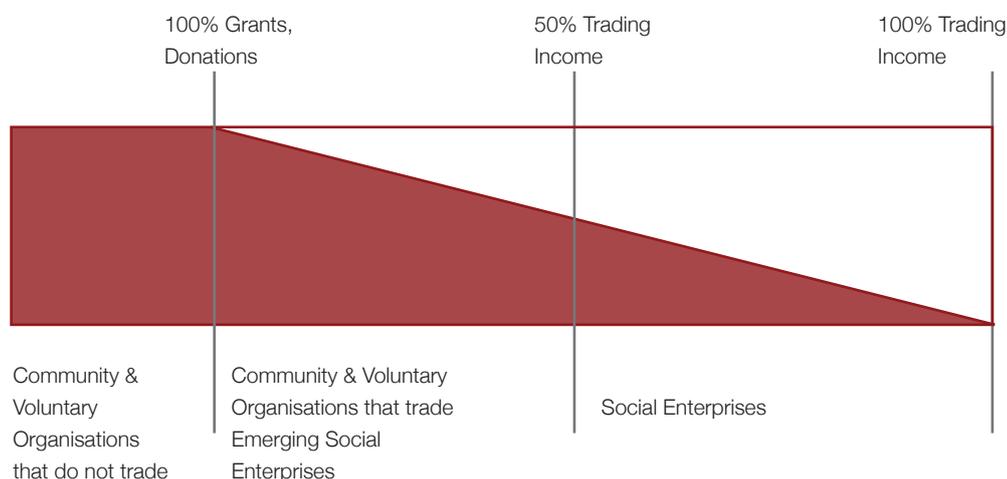
Types of social enterprises

Social enterprises employ a number of different operating models. This section offers a superficial description, rather than a meticulous account, of some of the models under which social enterprises operate. The aim is to introduce the reader to some of the different forms social enterprises adopt in order to deliver on their social mission. The models presented in this section are an adaptation of Kim Alter's Social Enterprise Typology (Alter, 2006, pp. 48-61).

In the first model, termed fee-for-service, social enterprises provide goods and services in exchange of an affordable fee or price. These goods and services include, for example, irrigation pumps, microcredit, clean drinking water, electricity, health services, and so on. These goods and services are either useful on their own (such as clean water) or used as a means to something else (such as a microloan that is used to expand a small business). Examples of fee-for-service organisations include Pro Mujer, a microfinance institution operating in Bolivia, Nicaragua, Peru and Mexico that provides microloans to low-income women; Bookshare.org, an organisation that supplies, at a subscription fee, access to an extensive online library of digital Braille and talking books for the blind; and A to Z Textile Mills, a Tanzanian venture that produces and commercialises affordable, long-lasting anti-malaria bed nets.

The second model is service subsidisation, in which social enterprises generate revenues to advance their mission through overlapping or distinct activities. In these cases, the social mission is partly or entirely detached from the business operation, which is employed primarily

Figure 2.2. The trading continuum for the social economy. Source: McManus (2004, p. 10)



as a funding mechanism. One example is Para la Salud, a social enterprise in Guatemala that operates a chain of village pharmacies that generates profits that subsidise a series of rural community health clinics that provide health services to the poor.

Other models, which will not be discussed in length in this paper, include market intermediary, in which social enterprises act as mediators between producers and markets, purchasing products locally from small producers and selling them in non-local markets at a mark-up; employment and training, which provide employment opportunities and technical training to people with high barriers to employment, such as the homeless, disabled, ex-offenders, and the elderly; cooperatives, organisations that are “owned and operated by a group of individuals for their mutual benefit” (O’Sullivan, 2003, p.202), and whose members benefit from increased collective bargaining power for purchasing and selling goods and services, or from improved access to markets, market information, technical assistance, and extension services; and market linkage, in which social enterprises act as brokers to connect clients to markets, while charging a fee for the service.

It must be noted, however, that these models are flexible and not mutually exclusive. In practice, rather than strictly adhering to a single model, social enterprises will often adopt two or more models in order to deliver on their social mission, leading in some cases to quite complex organisational structures. One example is Vision-Spring, a social enterprise based in India that produces affordable eyeglasses, and trains and employs micro-entrepreneurs to operate a micro-franchise that travel to rural villages where they conduct vision camps, in which eye exams are carried out and eyeglasses are sold.

2.3 Measuring social impact of social enterprises

“Metrics and evaluation are to development programs as autopsies are to health care: too late to help, intrusive, and often inconclusive.” (Trelstad, 2008, p.107)

The complexity and the shortcomings of measuring non-financial contributions of social enterprises are widely acknowledged in the literature. Andrew Flockhart, for example, notes that “whilst it is possible to measure the amount of money that social enterprises generate and return to the economy (e.g. salaries, credit, contract for services or goods), it is far more difficult to measure the wider civic or social impact that social enterprises have and the benefit gained (financial or otherwise) by a community” (cited in Peattie and Morley, 2008, p.18). These difficulties lead to “the lack of consistently effective ap-

proaches and tools for measuring and reporting social value, and the lack of confidence in what is measured” (Emerson et al., 2004, p.9).

The challenges of measuring impact can be grouped in three broad aspects. The first issue is what to measure. Do we measure outputs, outcomes or impacts? How should the outputs, outcomes and impacts be selected? How do we define the evaluative scope of the assessment? What do we specifically mean by social impact? What about the “economic multipliers or unintended consequences of our work?” (Trelstad, 2008, p.106).

The second challenge is how to measure. Measuring outcomes and impacts is in fact quite difficult because (i) it involves measuring intangible attributes, such as improvements in gender relations or community cohesion, trust and vibrancy; (ii) it is expensive, and “social enterprises don’t have an endless budget” (Hill, 2009); and (iii) it involves a complex and large logistical effort of data collection (ibid). In addition, we’re likely to face a causality issue: how do we ‘prove’ that our initiative caused the change we have identified? Can we ever have confidence that our initiative (and not something else) caused the intended outcome? It turns out it can be extremely difficult to track outcomes or impacts back with certainty to the original inputs and activities undertaken.

The subsequent challenge is how to value what has been measured. “Simply because we can measure something does not mean we can accurately value what has been measured” (Emerson et al., 2003, pp.77-78). So once all measurements have been done and are available, how do we go about calculating meaningful indicators from it?

Added together, these challenges have meant that “little consensus on how best to approach the creation of a single, commonly endorsed set of metrics by which to assess the performance of non-financial aspects” of social enterprises has been achieved (Emerson et al., 2004, p.77).

Reflecting on these difficulties, some authors have come to propose that the costs of measuring performance may well outweigh the benefits. One of the most vocal among these commentators is Jed Emerson (2001), who argues that spending resources (both financial and human) and time on measurement and building measurement systems means less resources and time are available for actually running the social enterprise. He also notes that some things inherently defy measurement, such as the increase in someone’s level of opportunity or dignity, and argues that “there’s more to human life than numbers can possibly capture” (cited in Cameron, 2010).

On the other side of this debate are those that perceive

a great deal of benefits in carrying efforts to measure impact. One line of argument centres in the popular saying that “we can’t manage what we can’t measure”. One to use this string of argument is Brian Trelstad, who argues that impact measurement allows “professionals trying to effect change to understand what is working and what is not—and why” (Trelstad, 2008, p.107). Ted London, another author to support the case for impact measurement, similarly argues that “It helps managers identify and enhance the positive effects of a venture’s products and services, understand and mitigate the negative effects, and more clearly articulate current performance and prospects for improvement. With this information in hand, they can create more successful, sustainable business models” (London, 2009, p.107).

A second line of argument used by those promoting impact measurement centres on the accountability of social enterprises to end users as well as to funders. Referring to the accountability to consumers, Hill insists that social enterprises need to be able to answer important questions such as “Have your products/services actually reached the ‘poor’?” and “Are your investments drastically improving lives or only marginally?” (Hill, 2009). In regards to the accountability to funders, Trelstad notes that social enterprises should be able to tell donors whether their philanthropic investments have made a difference relative to their other charitable options (Trelstad, 2008, p.107). This is the same position taken by Hill, who argues that “the future of the social enterprise sector—this idea (and it is still only an idea) that enterprises may be a more efficient means of improving the lives of the poor—rests entirely on our ability to get [impact measurement] right” (Hill, 2009).

2.4 Methodologies for measuring impact

In this context, a multitude of methodologies and mechanisms for measuring social enterprises’ social impacts have been proposed. Examples include Social Return on Investment (SROI), a methodology developed by the Roberts Enterprise Development Fund (REDF); Blended Return on Investment, developed by Jed Emerson; On-going Assessment of Social Impacts (OASIS), also by

REDF; Expanded Value Added Statement, by Mook, Richmond and Quarter; Best Alternative Charitable Option (BACO), created by the Acumen Fund; and the Base of the Pyramid Impact Assessment Framework, by Ted London. The list could go on. To further blur the picture, every organisation seems to be “reinventing the measurement wheel” (Hill 2009) and, therefore, to be adopting “different but overlapping solutions to a common set of problems” (Kramer, 2005, p.1). Kramer argues that the end result is a “massively inefficient system of multiple reporting requirements” (Kramer, 2005, p.17).

Without going into extensive analysis of each of these methodologies, two main limitations have to be noted. First, most methodologies insist in converting social benefits generated into monetary value, in order to calculate a return on investment. This works well for programmes that create employment or reduce demand for health care, but not for other types of programmes such as those focused on women empowerment or the promotion of political participation (Kramer, 2005, p.2). Second, the majority of these methodologies seem to “judge their success at alleviating poverty on the basis of tasks completed and milestones achieved—amount of money invested, quantity of products distributed, number of interventions initiated, and so on—rather than on how well their activities translate into changes on the ground” (London, 2009, p.107). Attempts to create qualitative or impact-focused methodologies are emerging (notably BACO and Base of the Pyramid Impact Assessment Framework), but not enough experimentation has been done to gather a meaningful amount of evidence to support them. As a consequence, none of these methodologies has gathered enough consensus as to be widely accepted and adopted by those working on impact measurement (Peattie and Morley, 2008; Kramer, 2005; Emerson et al., 2004).

Shortcomings aside, the use of these methodologies requires considerable amounts of time, resources and skills that this author lacks. Recognising this state of affairs, and with the stated aim of measuring the extent of the contribution of social enterprises to human development in mind, this research next introduces the capability approach, and investigates its appropriateness as a framework for this analysis.

NOTES TO CHAPTER 2

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1. D.Light Design is a social enterprise based in India that produces and sells affordable solar lamps.

3. Conceptual framework

This section considers the adequacy of the capability approach as a framework to evaluate social enterprises' impact on human development.

3.1 Revisiting some concepts from the capability approach

Before considering the use of the capability approach to value social enterprises' development outcomes, it is worth revisiting a couple of concepts from the approach. First, central to the capability approach is the idea that human development refers to "the real opportunity that we have to accomplish what we value" (Sen, 1992, p.31). This understanding calls for people to be seen "as being actively involved – given the opportunity – in shaping their own destiny" (Sen, 1999, p.53), as opposed to passive beneficiaries of development programmes.

Second, the approach assumes that functionings, capabilities and freedoms have intrinsic value (are valuable themselves) as well as instrumental value (as a means to achieving something else). In Sen's words, greater freedom to achieve the things one values is (i) "significant in itself for the person's overall freedom", and (ii) "important in fostering the person's opportunities to have valuable outcomes" (Sen, 1999, p.18). In this sense the expansion of freedoms is both the primary end and the principal means of development (Sen, 1999, p.36).

It may be here that the capability approach contrasts the most with income- or consumption-led views of development. The capability approach sustains that, while income and consumption are important, they are only means of expanding people's ability to achieve the things they value (Sen, 1999, p.3). Sen argues that "viewing development in terms of expanding substantive freedoms directs attention to the ends that make development important, rather than merely to some of the means that, inter alia, play a prominent part in the process" (Sen, 1999, p.3). He notes this idea goes back to Aristotle, who observed that "wealth is evidently not the good we are seeking; for it is merely useful for the sake of something else" (cited in Sen, 1999, p.14).

3.2 Use of the capability approach to value development outcomes

Central to the capability approach is the argument that the success of a society should be evaluated "primarily by the substantive freedoms that the members of that society enjoy" (Sen, 1999, p.18). This, in turn, means that assessment of progress of the process of development has to be done "primarily in terms of whether the freedoms that people have are enhanced" (Sen, 1999, p.4). Similarly, Sabina Alkire suggests that one can conclude that poverty reduction would have occurred if people "could realistically choose to enjoy a greater set of valuable activities or ways of being" (Alkire, 2002, p.2).

As a minimum, this evaluation would entail three stages. First, one needs to identify valuable functionings or capabilities that would be in scope of the analysis. Second, one needs to measure whether those functionings or capabilities have been expanded or contracted. Finally, because some functionings or capabilities are conceivably more important than others, one needs to identify the 'weighted value' of contractions and expansions. Simply put, one needs to identify what to measure, how to measure, and how to value what has been measured. Only after capabilities have been identified (if not the comprehensive set, at least a meaningful subset), measured and valued, can at least a "partial assessment possibly be made about capability expansion" (Alkire, 2002, p.27).

It is reasonable to ask, therefore, how to select the functionings and capabilities, how to measure their expansion or contraction, and how to value them in an evaluation exercise. Naturally, these questions are not specific to the capabilities approach. They are, incidentally, strikingly similar to the ones raised in section 2.4 when discussing the measurement of impact of social enterprises (as a reminder, those were what to measure, how to measure and how to value what has been measured). It would therefore be sensible to apply the solutions proposed by those working on the capability approach to the analogous challenges faced by those working on social enterprises.

Let's take on each of these challenges at a time.

What to measure

Sen chooses not to specify a list of capabilities and functionings that people have reason to value, insisting that the capability approach is deliberately incomplete (Frediani,

2010, p.176). While he acknowledges that “the extensive coverage of freedoms is sometimes seen as a problem in getting an ‘operational’ approach to development that is freedom-centred” (Sen, 1999, p.24), Sen objects to “an insistence on a pre-determined, canonical, cemented or ‘fixed-forever’ list that is not subject to public reasoning” (Qizilbash, 2005, p.146), and maintains that the capability approach “requires no unanimity” (Sen, 1999, p.34).

Martha Nussbaum, who shares with Sen a number of writings and is herself one of the main exponents of the capability approach, has on the other hand come to set forth a list of human capabilities that she hoped would trigger a process whereby the “community of nations [would] reach a transnational overlapping consensus on the capability list, as a set of goals for cooperative international action and a set of commitments that each nation holds itself to for its own people” (Nussbaum, 2000, p.104).

Five aspects of Nussbaum’s list of central human capabilities deserve explanation. First, the list is one of combined capabilities. To be enjoyed they require the development of one’s internal capabilities (“developed states of the person herself that are, so far as the person herself is concerned, sufficient conditions for the exercise of requisite functions”) as well as an enabling environment for their exercise (Alkire, 2002, p.33). These combined capabilities have value in themselves (intrinsic) as well as value for their usefulness in achieving something else (instrumental). Second, the list is one of capabilities to achieve valuable functionings, rather than of achieved functionings; as such most components of the list are introduced with the formula ‘being able to’ (Nussbaum, 1995, p.82). Third, the list is deliberately incomplete, in that it identifies only the “subset of human capabilities that are necessary for a dignified human existence anywhere” (Alkire, 2002, p.33). Fourth, Nussbaum’s list is also flexible, in that it is open to be tested and as such has been revised a number of times. Finally, the list is open to plural specification, in the sense that “its members can be more concretely specified in accordance with local beliefs and circumstances” (Nussbaum, 2000, p.77). Nussbaum’s list of central human capabilities is reproduced in Table 3.1.

Though not free from criticism (mainly for being over-deterministic and dissociated from a process of public reasoning and discussion – see, for example Alkire, 2010, p.31), Nussbaum’s list has come to be the most widely acclaimed and adopted list of capabilities in the literature.

How to measure

Sen suggests a number of approaches that would give “practical shape” to the capability approach (Sen, 1999, p.81). The one that seems more suitable to the goal and scope of this paper is what Sen calls the “supplementary

approach”, a procedure in which changes in instrumental variables that are expected to affect capabilities, such as availability of health care or the prevalence of joblessness, are examined as a proxy to changes in capabilities themselves (Sen, 1999, p.82).

In practice, this implies making use of a logic chain of results – a theory of change – in which inputs and activities lead to a succession of expected outputs, which lead to a series of expected outcomes and finally to a set of expected impacts, where impact refers to “significant or lasting changes in people’s lives” (Roche, 1999, p.21). In some cases articulating a theory of change is uncomplicated – an eye hospital, for example, can easily relate outputs (number of eye surgeries performed) with outcomes (number of people with vision restored), so assumptions have to be made only from outcomes to impacts (number of people with vision restored enabled to seek employment on an equal basis with others). In other cases, however, a theory of change may involve more complex relationships, and therefore a greater number of assumptions need to be made – an ambulance service needs to make assumptions to relate outputs (response time and number of patients taken safely to hospital) to outcomes (quality of the treatment received in hospital) and then to impacts (health of the patient after receiving treatment in hospital) (Ebrahim and Rangan, 2010, pp.22-23).

How to value what has been measured

In addressing this question, Sen argues that this is inherently a “judgmental exercise [that] can be resolved only through reasoned evaluation” (Sen, 1999, p.78). Sen is purposefully open about this, and chooses not to specify how the value judgments are to be made (after all, as Horace noted over 2,000 years ago, “there are as many preferences as there are people”) (cited in Sen, 1999, p.68). Alkire notes that, instead, Sen argues there are a multitude of competing ways in which this evaluation could be done, each of them coherent with the capability approach; choosing one could rule out the others, and therefore compromise the pluralism of the approach (Alkire, 2002, p.3).

Sen does provide some useful insights, though. He suggests that if certain functionings or capabilities are identified as valuable, then it should be evident that, even if there is no agreement as to the relative value of the various capabilities, having more of each of them (or even any of them as long as there is no reduction on any of them) would be an improvement (Alkire, 2002, p.30). What Sen is arguing is that the decision of weighing capabilities relative to each other does not necessarily need to be made, as it should be possible to assess the absolute expansion of functionings or capabilities without necessarily assessing their relative expansion.

Table 3.1. Nussbaum's list of central human capabilities. Source: Nussbaum, 2000, pp.78-80

Life. Being able to live to the end of a human life of normal length; not dying prematurely, or before one's life is so reduced as to be not worth living.

Bodily health. Being able to have good health, including reproductive health; to be adequately nourished; to have adequate shelter.

Bodily integrity. Being able to move freely from place to place; having one's bodily boundaries treated as sovereign, i.e. being able to be secure against assault, including sexual assault, child sexual abuse, and domestic violence; having opportunities for sexual satisfaction and for choice in matters of reproduction.

Senses, imagination, thought. Being able to use the senses, to imagine, think, and reason — and to do these things in a 'truly human' way, a way informed and cultivated by an adequate education, including, but by no means limited to, literacy and basic mathematical and scientific training. Being able to use imagination and thought in connection with experiencing and producing self-expressive works and events of one's own choice, religious, literary, musical, and so forth. Being able to use one's mind in ways protected by guarantees of freedom of expression with respect to both political and artistic speech, and freedom of religious exercise. Being able to search for the ultimate meaning of life in one's own way. Being able to have pleasurable experiences, and to avoid non-necessary pain.

Emotions. Being able to have attachments to things and persons outside ourselves; to love those who love and care for us, to grieve at their absence; in general, to love, to grieve, to experience longing, gratitude, and justified anger. Not having one's emotional development blighted by overwhelming fear and anxiety, or by traumatic events of abuse or neglect. (Supporting this capability means supporting forms of human association that can be shown to be crucial in their development.)

Practical reason. Being able to form a conception of the good and to engage in critical reflection about the planning of one's own life. (This entails protection for the liberty of conscience.)

Affiliation (i). Being able to live for and towards others, to recognise and show concern for other human beings, to engage in various forms of social interaction; to be able to imagine the situation of another and to have compassion for that situation; to have the capability for both justice and friendship. (Protecting this capability means protecting institutions that constitute and nourish such forms of affiliation, and also protecting the freedoms of assembly and political speech.)

Affiliation (ii). Having the social bases of self-respect and non-humiliation; being able to be treated as a dignified being whose worth is equal to that of others. This entails, at a minimum, protections against discrimination on the basis of race, sex, religion, caste, ethnicity, or national origin.

Other species. Being able to live with concern for and in relation to animals, plants, and the world of nature.

Play. Being able to laugh, to play, to enjoy recreational activities.

Control over one's environment - Political. Being able to participate effectively in political choices that govern one's life; having the right of political participation, protections of free speech and association.

Control over one's environment - Material. Being able to hold property (both land and movable goods), not just formally but in terms of real opportunity; and having property rights on an equal basis with others; having the right to seek employment on an equal basis with others; having the freedom from unwarranted search and seizure. In work, being able to work as a human being, exercising practical reason and entering into mutual relationships of mutual recognition with other workers.

3.3 Revisiting the objective of this paper

Back in section 1.2, the objective of this paper was outlined as 'to investigate the extent to which social enterprises are effective agents of development'. At this point, and based on the discussions so far, it is possible to expand on this objective. First, and drawing on the capability approach, the expansion of capabilities is seen as both the primary end and the principal means of development. It makes sense, therefore, to **focus on the expansion of capabilities in order to assess progress in terms of development**. As discussed previously, the list of human capabilities proposed by Nussbaum has received considerable endorsement in the literature, and as such it seems appropriate to adopt it here.

Second, and based on discussions in section 3.3, assessment of the impact of social enterprises on human

capabilities draws on individual social enterprises' theories of change – the exercise of **associating inputs, activities and outputs to expected outcomes and impacts**. In other words, this implies making use of the "supplementary approach", whereby changes in instrumental indicators that are likely to affect capabilities are considered as a proxy to assess changes in capabilities themselves. Finally, and drawing on discussions on the capability approach in section 3.3, **no value judgment is made on the importance of different capabilities relative to one another**¹. What is attempted instead is to identify the range of capabilities that are affected, to whatever extent, by the operations of social enterprises.

In conclusion, the objective stated in section 1.2 could be rephrased as 'to investigate the range of human capabilities that are impacted by the operations of social enterprises'.

NOTES TO CHAPTER 3

1. In other words, the absolute, rather than the relative, expansion of capabilities is assessed. Implicitly, this assumes

no capability is negatively impacted.

4. Case studies

4.1 Why a multi-case study

To address this paper's objective, the multi-case study method was adopted. A multi-case study approach can expose patterns and relationships that could remain unnoticed on the single-case study method. A multi-case study "allows for an in-depth analysis across different contexts and enables researchers to better understand how and why outcomes occur" (London et al., 1999, p.584). It also offers the "opportunity to conduct both within-case and cross-case analysis, [whereby] tentative explanations found in a within-case analysis can be tested across other cases, enhancing reliability and validity of the conclusions drawn" (ibid).

4.2 Scope of the case studies

Given the wide range of organisations that fit the description of social enterprises, their broad geographical reach, and the limitations faced by the author in terms of resources and data availability, it has been necessary to focus the case studies on a more restricted group of social enterprises and geographies, as follows:

- i. In terms of operations, focus is given to social enterprises that provide goods and services to the poor (mostly operating a fee-for-service or service subsidisation models). This excludes enterprises that primarily source from the poor (market intermediary, market linkage or cooperative models) or that primarily employ the poor or disadvantaged (employment and training model). This does not mean, however, that organisations analysed here will not source from, employ or train the poor, but that will not be their primary activity.
- ii. In terms of geographic scope, focus is given to organisations operating in India, Pakistan and Bangladesh. Though different in many aspects, these neighbouring countries are in similar stages of human development, as measured by the United Nations' Human Development Index¹ (HDI). It is assumed this would have a 'neutral effect' on the capacity of social enterprises to have a positive impact on the expansion of capabilities.

It is hoped that this 'double-focus' will translate into a more relevant discussion and, most importantly, increase the validity of the findings.

4.3 Limitations and constraints

The scoping exercise, however, does not remove a number of limitations and constraints that permeate the case studies. Quantitative information on social enterprises' outputs, outcomes and impact is limited. The sample is likely to be biased in favour of more successful, better-known and well-resourced enterprises, as information on these is prone to be more widely available. Goods and services provided by social enterprises are likely to be used in ways not captured by the literature or unimagined by the author. Finally, the sample is sourced from existing works, which are liable to suffer from their own limitations and constraints.

As a consequence, the range of impacts identified in this paper is likely to be incomplete at best.

4.4 Methodology

Cases have been chosen with three preoccupations in mind. First, organisations had to fit within the operational and geographical scopes defined in section 4.2. Second, cases were chosen as to provide a considerably wide range of organisational size, profit motivation, and sector of operation. Third, sufficient information on organisations needed to be available as to allow for an informed assessment of their impact on the instrumental variables used to evaluate variations on capabilities. Information was sourced from a variety of published literature such as books, journals, newspaper articles and websites. Based on these criteria, a final sample of 34 social enterprises was selected for the study. Each of these 34 organisations was mapped in terms of sector, products or services provided, stated mission, base country, profit motivation, and numbers of consumers reached.

Of the 34 ventures, 22 (65%) are based in India, 8 (24%) in Pakistan, 2 (6%) in Bangladesh, and 2 (6%) have bases in more than 1 of these countries. Catego-

rised by sector, 7 (21%) are in health, 5 (15%) are in microfinance, 5 (15%) are in agriculture, 4 (12%) are in appliances, 4 (12%) are in energy, 3 (9%) are in water supply, and 2 (6%) are in waste management, housing and communications. Of the 34 enterprises 24 (71%) are for-profit, and 10 (29%) are non-profit. In terms of reach, 8 (24%) have served fewer than 10 thousand consumers, 5 (15%) between 10 thousand and 100 thousand, 11 (32%) between 100 thousand and 1 million, 7 (21%) more than 1 million, and 3 (9%) did not make this information available at the time of writing.

The task of assessing the impact of these organisations on central human capabilities was carried out according to the amount of information available on each social enterprise. In some instances, information was avail-

able up to the level of impacts, while for others it was available only to the level of outputs. In these cases, assessment of impact was based on observed changes in instrumental indicators that could be expected to affect capabilities themselves. A series of examples of this assessment are presented in Table 4.1. This activity draws heavily on the discussion in section 3.3, which suggested that alterations in instrumental variables that are expected to affect capabilities can be examined as a proxy to changes in capabilities themselves.

Both direct and indirect impacts were considered. For example, an enterprise providing eye surgery that restores one's ability to see has a direct impact on health (restored vision), and an indirect impact on incomes (as the restored vision can affect a positive impact on the

Table 4.1. Examples of typical instrumental indicators used to assess the impact of social enterprises on human capabilities. Source: produced by the author with information from companies' websites (listed in Table 8), Acumen Fund, Hart 2007, Prahalad 2005, Global Impact Investment Network (GIIN), The Parthenon Group 2009, Jhunjhunwala et al. 2004, Skoll Foundation, Ashoka, Aavishkaar.

Social Enterprise	Product/Service	Description of activity/output/outcome	Indicator of impact or theory of change	Identified or expected impact	Capabilities affected
1298 Ambulances	Emergency medical response service	Provision of ambulance services based on a sliding price scale driven by ability to pay, which is determined by the kind of hospital to which patients choose to be taken.	Patients taken to hospital receive adequate treatment and as a consequence have their health improved and/or avoid premature death.	not dying prematurely	Life
				to have good health	Bodily health
D.Light Design	Portable AC-rechargeable and solar-rechargeable LED lamp	Provision of economically and socially preferable alternative to kerosene lanterns, which are expensive, inefficient, dangerous, and low-quality sources of light.	D.Light lamps are bright enough to facilitate longer and more effective studying hours, which lead to increased learning and higher test scores.	cultivate an adequate education	Senses, imagination, thought
			United Nations Development Program studies demonstrate that families with improved lighting have up to a 30% increase in income due to increased productivity at night.	to have an adequate income	Control over one's environment - Material
			By replacing a kerosene lamp with a d.light product, a consumer can expect to experience increased safety from the elimination of accidental fires caused by kerosene lamps and better health from the elimination of indoor air pollution.	to have good health	Bodily health
AyurVAID	Provision of safe, effective, and affordable health care to poor communities	Treatment of chronic medical conditions such as diabetes, arthritis, and stroke through the integration of classical Ayurveda practice with modern allopathic practice at low cost.	Treatment of chronic medical conditions leads to improved general health and well-being	to have good health	Bodily health

Social Enterprise	Product/Service	Description of activity/output/outcome	Indicator of impact or theory of change	Identified or expected impact	Capabilities affected
IDE-India	Drip irrigation and water storage systems	Provision of affordable and modular drip irrigation and water storage technologies to smallholder farmers	Drip irrigation systems improve crop yields, leading to increased consumption of vegetables per person	to be adequately nourished	Bodily health
			Recent studies have shown that drip irrigation and water storage products raise the income of small-scale farming customers by an average of \$400/year	to have an adequate income	Control over one's environment - Material
			Drip irrigation systems reduce the amount of irrigation water needed to cultivate an acre of land by 50%	being able to live with concern for the world of nature	Other species
			Year-round farming – made possible by irrigation – means that farmers do not have to uproot their families and migrate to cities during the dry season	not having overwhelming fear and anxiety	Emotions
Waste Concern	Waste collection and composting	Waste Concern directs a process for house-to-house solid waste collection that is then taken to community-run composting plants to be turned into organic fertiliser	The technology used for composting can treat 30,000-35,000 tons of waste per year and reduces emissions by 20,000 tons of carbon dioxide per year	being able to live with concern for the world of nature	Other species
VisionSpring	Provision of affordable reading glasses	VisionSpring trains local entrepreneurs to operate a micro franchise, travelling from village to village and conducting vision camps, checking eyesight and selling eyeglasses.	Clear vision is critical for continued worker productivity, especially for the artisans, tailors, mechanics, and many others across rural communities doing detailed-oriented work. Studies indicate that each pair of eyeglasses sold enables an average \$106 in increased earnings for the customer	having the right to seek employment	Control over one's environment - Material
LifeSpring	Provision of affordable maternal and child healthcare	Network of Maternity and Child Healthcare hospitals that provides high-quality, low-cost (cross subsidisation) reproductive and pediatric healthcare to low- and lower-middle-income people in urban and peri-urban areas.	Reproductive and pediatric healthcare leads to reduced maternal and child mortality and morbidity rates	not dying prematurely	Life
			Provision of pediatric care, including immunisation, leads to improved health	to have good health	Bodily health
Anjuman Behbood Khawateen Talash	Provision of financial products and educational programmes for tribal women.	Provision of micro-credit, savings, non-formal basic education, health education, and political education for women as a basis for organising and mobilising them into formal women's grassroots organisations.	ABKT encourages and guides women to participate in local elections as candidates, thus enabling them to participate more actively in local government policy-making.	being able to participate effectively in political choices	Control over one's environment - Material
Environment Planning Group Limited (EPGL)	Water purification plants based on reverse osmosis technology	New model for small water purification clusters that reduces the initial installation costs and simplifies the maintenance of community water systems.	Access to clean and safe water reduces the incidence of preventable waterborne diseases	to have good health	Bodily health

person’s productivity or employability)². This does not entail, however, that direct impacts are more profound or lasting than indirect impacts. This distinction only served the purpose of identifying the type or the closeness of the relationship between activities and impacts. Likewise, no attempt was made to measure the magnitude of the impact on each capability, as this would require more information and resources than are currently available to this author.

As a result, both direct and indirect impacts were assessed on a **yes/no** basis: either a social enterprise affected a specific capability or it did not. Once the results were recorded, an indicator was devised to illustrate the range of human capabilities that were deemed to be impacted by social enterprises: the **impact rate**. The impact rate is expressed as the *percentage of social enterprises that have an impact on a specific capability*, as per the formula below:

$$\text{Impact rate} = \frac{\# \text{ social enterprises impacting a given capability}}{\# \text{ social enterprises}}$$

For example, if 31 out of 34 enterprises had an impact, either direct or indirect, on a given capability (as in the case of ‘bodily health’), the impact rate for this capability would be 31/34 or 91%. In the case of a capability affected by 12 of the 34 enterprises (as in ‘other species’), the impact ratio would be 12/34 or 35%.

4.5 Summary of findings

Based on the analysis of these 34 enterprises, the base country variable does not seem to have a large influence on impact rate. Results for India and non-India³ are not materially different, with an overall gap of only 2% and gaps on individual capabilities varying between 24% in favour of India (on ‘senses, imagination, thought’) and 30% in favour of non-India (on ‘practical reason’). Comparisons of India and Pakistan or Bangladesh on their own were not possible, as the limited size of the sample did not allow for control for other variables, such as sector. The complete set of impacts by base country is shown in Figure 4.1.

Figure 4.1. Impact rate by country. Source: produced by the author based on case studies

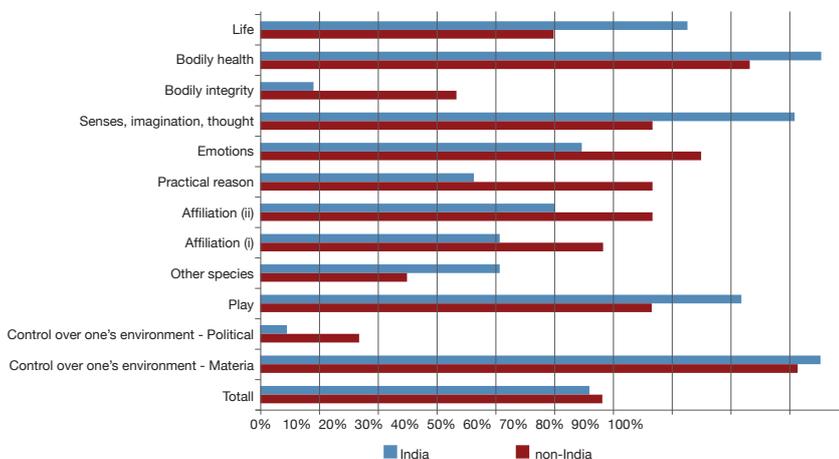
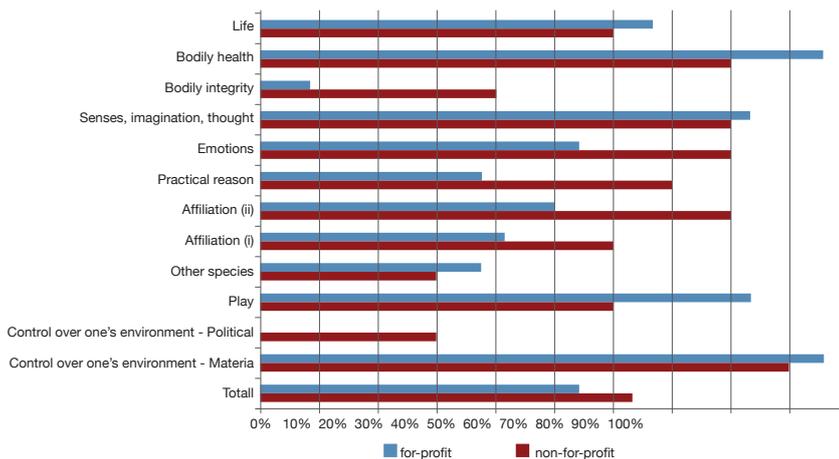


Figure 4.2. Impact rate by profit motivation. Source: produced by the author based on case studies



Profit motivation, however, does appear at first to have a material influence on impact rate. On average, non-profits had an impact rate 9% higher than for-profits, with impact on individual capabilities varying between 23% in favour of for-profits (on 'play') and 34% in favour of non-profits (on 'affiliation (i)'). However, this is entirely explained by the different mix of sectors, with a high concentration of appliances and energy (low average impact rates) in for-profits, and a high concentration of waste management (high average impact rate) in non-profits. The full set of findings by profit motivation is shown on Figure 4.2.

No discernible pattern was identified in relation to number of consumers reached. Enterprises serving less than 10 thousand people and those reaching more than 1 million people have higher overall impact rates (65% and 63% respectively) than those serving between 10 thousand and 100 thousand and those reaching between 100 thousand and 1 million people (50% and 51% respectively). It could be argued at first that enterprises are better at impacting capabilities when they're still very small or after they surpass a certain scale, and worse while they are in between. Looking closer, however, this difference is at least partly explained by the mix of sectors, with a high concentration of microfinance and waste management (high average impact rate) on the lowest and highest ranges, and a high concentration of appliances and agriculture (low average

impact rates) on the mid ranges. The complete set of impacts by consumers reached is shown in Table 4.2. In terms of sector, some appear to be significantly better than others at impacting capabilities. Microfinance displays the best impact rate by far (77%), followed by communications (63%). Microfinance seems to boast impacts almost across the whole range of capabilities, from women empowerment to improved literacy to increased employment opportunities to critical reflection. No wonder microfinance has exploded so dramatically over the past 20 years. On the other end of the scale is appliances, with an impact rate of 46%. Appliances, which include products such solar lights and energy efficient cooking-stoves that replace inefficient and dangerous kerosene-based lanterns and burners, seem to have a more focused impact on capabilities, mainly in terms of improved health and opportunities to study and socially interact after nightfall. The full set of findings by sector is shown in Table 4.3.

Most important, perhaps, is the finding that impact of social enterprises varies considerably across capabilities. The impact rate varied from a high of 94% on 'control over one's environment - material' to a low of 9% on 'control over one's environment - political'. Other capabilities with a high impact rate include 'bodily health' (91%), 'senses, imagination, thought' (82%) and 'play' (76%). On the other end of the spectrum, capabilities with a low impact rate include 'bodily integrity' (18%) and 'other species' (35%). Graphic representations of the impact of social enterprises on human capabilities are shown in Figures 4.3 and 4.4.

Table 4.2. Impact rate by number of consumers reached. Source: produced by the author based on case studies

	<10k	10k-100k	100k-1million	>1million
Life	75%	100%	55%	57%
Bodily health	100%	100%	82%	86%
Bodily integrity	13%	0%	18%	43%
Senses, imagination, thought	75%	100%	82%	86%
Emotions	88%	40%	45%	71%
Practical reason	63%	0%	45%	57%
Affiliation (i)	75%	20%	55%	71%
Affiliation (ii)	63%	20%	36%	71%
Other species	25%	40%	36%	29%
Play	88%	100%	64%	71%
Control over one's environment - Political	13%	0%	0%	14%
Control over one's environment - Material	100%	80%	91%	100%
Total	65%	50%	51%	63%

Notably, most social enterprises appear to have an impact on 'control over one's environment - material', which includes having the opportunity to engage in income-generating activities and to hold property. This was achieved either directly, as a result of employment opportunities generated by the social enterprises (for example, Grameen Telecom's phone ladies) or through the provision of affordable housing (such as Saiban), or indirectly, when enabling conditions to engage in income-generating activities are put in place (for example, Vision Spring's eyeglasses or Kashf's microloans). While we insisted throughout this paper on distinguishing the notion of poverty as lowness of income from that of capability inadequacy, it must be recognised that the two perspectives "cannot but be related, since income is such an important means to capabilities" (Sen, 1999, p.90). A substantial connection between greater income potential and advancements on other capabilities could therefore be expected.

Equally significant was the impact of social enterprises on 'bodily health', which includes being able to have good health and to be adequately nourished. That is indeed the primary focus of quite a few of the enterprises investigated, such as LifeSpring's provision of maternal and

child healthcare or 1298's ambulance services. In addition to health-care focused organisations, those providing safe drinking water (such as Waterlife's water purification plants), agricultural systems that expand farm's output (for example, Micro Drip's drip irrigation system), and appliances that replace kerosene-based lamps (such as D.Light's LED lamps) all appeared to have a direct impact on health or nourishment indicators.

Similarly noteworthy are the results for 'senses, imagination, thought', which include an adequate education, being able to produce self-expressive works and being able to avoid unnecessary pain. Direct impacts were observed mainly through the provision of health-care, which reduces unnecessary pain. Indirect impacts were observed, among others, through mechanisms that facilitate education to take place, such as electricity that powers schools (for example, SHREY's micro-hydroelectric plants) and communication technologies that enable people to access computer-based courses (such as n-Logue's internet kiosks).

On the bottom of the impact range is 'control over one's environment - political', which is about being able to participate in political choices and the protection of free speech. Only three of the 34 organisations studied have an impact on this capability. Two of them, both from the communications sector, support this capability by enabling the free exchange of information between remote villages and central towns. The third enterprise to have an impact on this capability is Anjuman Behbood Khawateen Talash, a microfinance institution that alongside loans provides political education for women.

Scoring similarly low, 'bodily integrity', which includes freedom of movement and being able to be secure against assault, seems to be impacted only by organisations that empower women to take a larger role in the household and in society at large. These include most of the microfinance institutions, and also those that systematically train and employ women, such as Grameen Telecom and Vision Spring.

Table 4.3. Impact rate by sector. Source: produced by the author based on case studies

	Agriculture	Appliances	Communications	Energy	Health	Housing	Microfin.	Waste Mgt.	Water Supply
Life	60%	0%	0%	100%	71%	0%	100%	67%	150%
Bodily health	80%	100%	50%	100%	86%	100%	100%	67%	150%
Bodily integrity	0%	0%	50%	0%	14%	0%	80%	0%	0%
Senses, imagination, thought	40%	100%	100%	100%	100%	0%	80%	67%	150%
Emotions	20%	25%	100%	0%	86%	100%	100%	33%	150%
Practical reason	80%	25%	100%	25%	0%	100%	100%	33%	0%
Affiliation (i)	60%	25%	100%	0%	86%	100%	80%	33%	0%
Affiliation (ii)	80%	0%	0%	0%	29%	100%	80%	33%	150%
Other species	60%	75%	0%	100%	0%	0%	0%	67%	0%
Play	0%	100%	50%	100%	100%	100%	100%	0%	150%
Control over one's environment - Political	0%	0%	100%	0%	0%	0%	20%	0%	0%
Control over one's environment - Material	100%	100%	100%	100%	86%	100%	80%	67%	150%
Total	48%	46%	63%	52%	55%	58%	77%	39%	88%

Figure 4.3. Impact by functioning/capability. Numbers represent number of times a capability is impacted by the activities of a social enterprise (maximum = 34). Source: produced by the author based on case studies

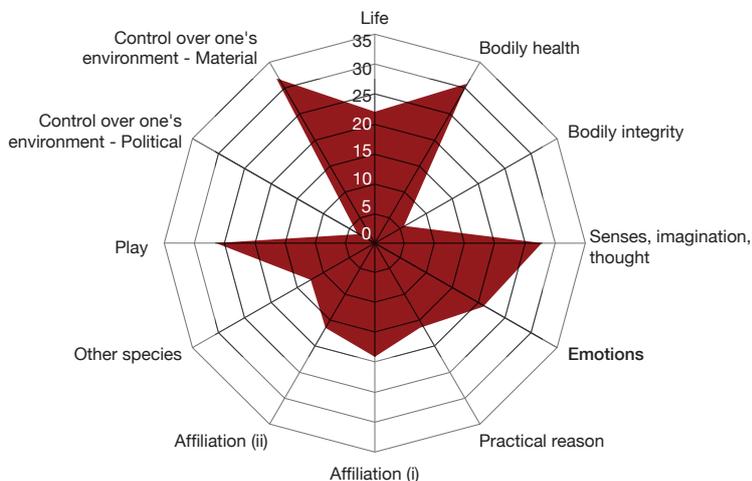
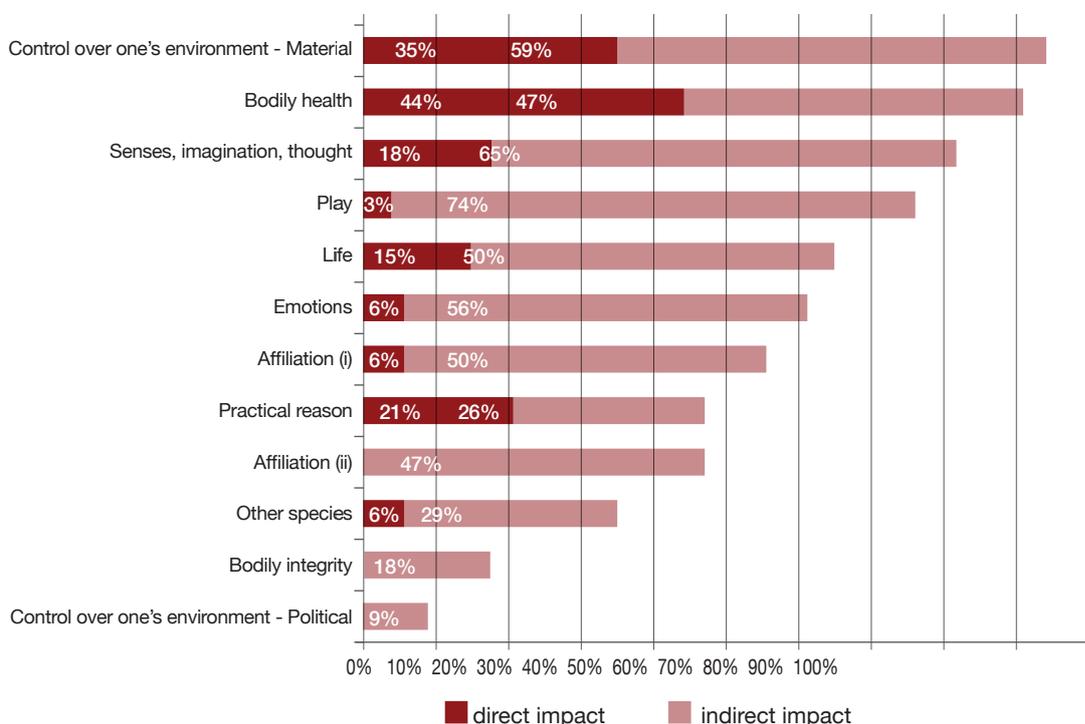


Figure 4.4. Impact rate by functioning/capability. Source: produced by the author based on case studies



NOTES TO CHAPTER 4

1. India, Pakistan and Bangladesh rank 136, 146 and 146 respectively on the 2012 Human Development Index. HDI is 0.612 for India and 0.515 for both Pakistan and Bangladesh (UNDP, 2013)
2. One exception to considering indirect impacts was made on the case of income. Whenever an activity had an impact on in-

- come (direct or indirect), the impact on income was recognised; the use that was made of the additional income (whether it was on school fees, food or shelter) was not, as it would be virtually impossible to assess how the extra income was spent.
3. Non-India includes enterprises based in more than 1 country, even when one of these is India

5. Conclusions

5.1 General considerations

The case studies indicate that social enterprises have an impact over a considerably wide range of central human capabilities. Though the magnitude of the impact was not assessed, the stories told by the case studies and the figures used to back them clearly indicate that many of the impacts are indeed life-changing. In particular, social enterprises appear to systematically create opportunities for income generation, for the upholding of good health, for adequate nourishment, for the cultivation of an adequate education, for the avoidance of unnecessary pain, and for the enjoyment of recreational activities.

At the same time, social enterprises do not seem to be effective agents at enhancing a number of human capabilities. Importantly, the case studies indicate social enterprises have only marginal impact over security against assault, freedom of movement, political participation, protection of free speech, preservation of the natural environment, critical planning of one's own life, and protection against discrimination.

5.2 Implications and recommendations

These considerations lead to two main conclusions. First, social enterprises are a valuable agent of human development: they systematically promote the expansion of human capabilities in places where markets, government and philanthropy have failed. They do so while treating the poor not as passive recipients of charity but as agents who, given an enabling environment, can and do reap the benefits of opportunity, choice, respect, and self-esteem to change their own lives. They do so sustainably, without persistently having to tap into the limited funds of government and charity. And they do so in large scale: some very large social enterprises reach tens of millions of people. Our modest group of 34 ventures touched the lives of over 20 million people.

Second, social enterprises' contribution is limited: they do not impact the whole spectrum of central human capabilities. Social enterprises are therefore only part of the solution.

These findings are relevant to policy-makers, philanthropists and social entrepreneurs alike. Policy-makers

should strive to create enabling environments that ease the way for social enterprises to be created, managed and grown successfully. This could include, for example, regulatory frameworks that facilitate starting a business, employing workers, registering property, paying taxes and enforcing contracts, and that ease the access to funding. Philanthropists should maintain or increase their support for social enterprises, including both financial and management support. Organisations that provide funding and management expertise to social enterprises, such as the Acumen Fund, Ashoka, and the Skoll Foundation, should be replicated and financially supported.

At the same time, policy-makers and philanthropists should be aware that social enterprises must be complemented with direct public investment, public policy and traditional aid. At the risk of being repetitive, areas where social enterprises fail that require particular attention from policy-makers and philanthropists include, among others, the provision of security against assault, the promotion of guarantees for the freedom of movement, political participation and free speech, and policies aimed at the preservation of the natural environment. Activities and areas in which governments could focus resources include, for example, direct investment in infrastructure; provision of social safety nets; promotion of positive discrimination policies; encouragement of green technologies through tax breaks; and law enforcement. The third sector could dedicate a greater share of their emergency, development and advocacy work to areas such as the exposal of corruption and mismanagement of public funds; the promotion of freedom of press and of individual expression; the safeguarding of the natural environment; and the promotion of gender equality.

Social entrepreneurs must be equally attentive to the impact they can expect from their organisations. In order to deliver impact on those capabilities with low impact rates, social enterprises may need to engage in non-core or non-revenue generating activities, such as educational programmes for tribal women, or counselling on the sustainable management of local natural resources. Another possibility is to focus the creation of new ventures in those sectors that have an impact on one of the capabilities with low impact rates. That is, for example, the case of communications, which positively impacts political participation.

5.3 Final considerations

Rather than drawing grand conclusions, the final note on this paper is one of prudence. The research was carried out under constraints of time, scope, resources and information availability. The findings and recom-

mendations do not pretend to be conclusive or exact. The author, however, trusts to have constructed a useful methodology for assessing the impact of social enterprises on human development, which he hopes will eventually serve as a framework for a rather more detailed, wide-ranging and controlled investigation.

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