Grasping the unfathomable –
A conceptual proposition on the measurement of organisations' social impacts

ABSTRACT

This article develops a new conceptual approach to measuring the social impact. It suggests that impact is best measured by accounting for the targeted formation of 'durable capital assets.' Social, political and cultural capital are proposed as proxies for social impact as a contribution to social productivity, in parallel to the significance of economic capital to economic productivity. The capital-based approach helps circumvent the attribution problem arising in complex societal realities. It is compared to alternative approaches—(1) the production of merit goods; (2) cost-benefit analysis; (3) the capability approach; and (4) life-satisfaction measures—and insights on its empirical application are provided.

Keywords:

Performance; social impact; social welfare; productivity; capital

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INTRODUCTION

‘Social impact’ is far from being a new term, but there are different interpretations of what it refers to as well as a variety of applications. Latané’s (1981) social impact theory represents a social psychological approach that refers to alterations in a person’s state of mind, including thoughts and attitudes, as a result of that person’s interactions with other people. Sociologists and political scientists in turn have dealt with ‘social impact assessment’ as a method of policy analysis and continue to do so (Dietz, 2007; Freudenburg, 1986). Their subjects of analysis include for instance the effects on the members of a local community produced by public construction projects in the vicinity.

As reflected in the above applications, impact is generally about the effects of actions. However, a different type of action has moved into the centre of attention quite recently: An increasing variety of organizations is engaged in creating social value for disadvantaged and marginalized people and in effect for society as a whole. Although the strategic setup and operational realization of their mission differs remarkably, all organizations in this social arena aim at creating positive social impact or ‘social wealth’ (Zahra, Gedajlovic, Neubaum, & Shulman, 2009). Some of them are supposed to be particularly effective in doing so, they are often referred to as social entrepreneurs or social innovators (Nicholls, 2006; Nicholls & Murdock, 2012a). In this wake, the measurement of impact as a ‘proof of concept’ for an organisation’s intervention gains importance.

While many new methodologies have recently been developed to assess social impact in a variety of fields (Olsen & Galimidi, 2008; Tuan, 2008), a grounded academic discourse of social impact measurement is only about to emerge. It is neither well understood how to link social impact measurement to existing theory of the social sciences, nor how to make use of potential theoretical links for its empirical investigation. The only consensus that seems to exist in the field at present is that impact is exceptionally hard to measure (Clark, Rosenzweig, Long, & Olsen, 2004, pp. 3f.; Nicholls, 2009, p. 758; Paton, 2003, pp. 1ff.; Rotheroe & Richards, 2007, p. 32; Smith, 2010, pp. 135ff.; Zappala & Lyons, 2009, p. 3). Besides and partly for this reason, it is becoming evident that the way social impact is currently approached misses the critical point.

Investigations occupied with the assessment of impact in quite different regards all come to a similar conclusion, be it a review of the measurement of social progress (Stiglitz, Sen, & Fitoussi, 2009), an analysis of the impact of migration (Migration Advisory Committee, 2012), or a systematic review of the Social Return on Investment (SROI) as one of the most widely used impact measurement tools at the organizational level (Krlev, Münscher, & Mülbert, 2013): Disproportionate weight is given to measures that focus on purely economic (income or other sorts of financial returns) or wider socio-economic effects (mainly reduced public expenditures)—genuine social effects (such as the strength of personal relations, political participation etc.) are largely disregarded. The main rationale provided for this disregard is that the latter variables are hardest to measure. Yet, if the aim of the whole discussion about impact is to capture, illustrate and judge the *social* value that is being created by organizations, activities or social developments, we are facing a critical problem: In lack or omission of accounts of these specific effects we are using flawed or at least insufficient criteria for assessing the overall value created by organizations, both conceptually and empirically.

In order to address this problem, the following definition is being proposed, which is the result of the theoretical framing performed in this article: '**Social impact**' summarizes the targeted formation of durable *capital assets* that serve as critical determinants of social productivity. These are effectuated by social value creation activities of *organizations* or *institutions* that are driven by *social goals.* 'Social' thereby does not refer to all sorts of social interactions, but instead to the normative notion of '*good for society*'.[1] The aspect of **measurement** is to be translated as the *standardized analysis* of the change in the different capital assets and their individual components as *distinct items*.[2]

The conceptual proposition posited above derives from the key research question explored in this article, which is: How can social impact be defined effectively and thus by means of which theories can it best be studied?

To answer this question the article proceeds as follows: First, the article outlines briefly to whom the social impact debate matters and which decisions are to be informed by improving our understanding of social impact. This is related to historical shifts in economic thinking, which are briefly outlined to provide a background foundation for the conceptual framing to be performed. This conceptual foundation links to classical studies of economic productivity, which will be used to sketch a broader concept of social productivity. It will be outlined that in both economic and social productivity, we can ascribe a critical enabling function to capital, which is why a capital based approach to social impact is being proposed. The sorts of capital to be briefly outlined are the ones that are hard to capture in classical economic terms (in monetary terms or by other measures of performance): social capital, political capital and cultural capital. These shall serve as primary proxies in the measurement of social impact. Advantages of the capital based approach will emerge against a comparative discussion to alternative measures of welfare or well-being. Departing from its general foundation, some

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[1] See for instance the definitional note on 'social needs' in Anheier, Krlev, Preuss, and Mildenberger (2014).
[2] It is to be noted that this definition is clearly shaped by economic and business terminology, but it explicitly attempts to remain receptive to other disciplinary views of the concept.

insights are provided how the capital based approach can be operationalised for application in empirical research. The article closes with a short summary of what we gain by the capital based approach to impact and by outlining steps for further development, which have to be performed before we can fully understand its value.

TO WHOM THE SOCIAL IMPACT DEBATE MATTERS

From an organizational point of view the impact perspective is primarily relevant for three distinct constituent groups: (1) The engaged organization itself for internal steering and strategy formation (micro level); (2) (Philanthropic) investors in terms of allocating their investment decisions (meso level); (3) Policy makers and regulators with regard to the monitoring and controlling of approaches which are said to be levering efficiency and effectiveness in the social sphere, such as social innovation (macro level).

The first point outlined is for instance implied when Freeman (2010, p. 40) with reference to organisational strategy formation urges for developing an integrated view on social and economic impacts and to thereby bridge the persistent divide between social issues on the one side and economic activity on the other, both often regarded as mutually exclusive categories. Where various sorts of impact are regarded with an integrated view, firms may consequently and genuinely develop measures to "[…] maintain an effective alignment with its environment", an imperative that has been discussed in some of the classics of strategy formation a long time ago (Miles, Snow, Meyer, & Coleman, JR., 1978, p. 547), yet usually in a much narrower sense than that of the social impact discussion. Most explicit does linkage between the assessment of social impact and the formation of organisational strategy become where scholars identify the pursuance of social objectives as a source of competitive advantage (Porter & Kramer, 2006), that is where the integrated creation of social value alongside economic rents (‘shared value’) benefits organisational striving. This is further linked to the discussion surrounding ‘corporate social responsibility’ (Carroll, 2008). While for-profit organisations are pushed towards the social end of the continuum of impacts, an opposed trend applies to organisations originally situated at the other side of the spectrum: nonprofit organizations. For them, for a variety of reasons from fiscal austerity to more challenging social problems, it is becoming increasingly important to pin down what they are in fact achieving with their work, and in a more precise fashion than the simple statement of ‘doing good’ can account for. Whole books have been dedicated to this pinning down of impact caused by nonprofits (Flynn & Hodgkinson, 2001). However, most of the efforts remain at a superficial level or swing back to economic categories such as contributions to GDP, employment or numbers of customers. Thus, despite the existence of well-intended research efforts, these leave us wanting for consistent theoretical approaches and empirical models that can assist organisations in forming or refining organisational strategies in response to the impact imperative.

The second perspective, namely that of investment allocations, applies where Emerson and Bonini describe that not only practitioners, but in particular their financiers are interested in promoting ‘blends’ of social, environmental and economic value (2005, p. 7). The authors are not the only ones, who establish a direct link between social impact measurement and ‘social enterprise’ as a perceptibly more effective response to complex social challenges. The latter trend fosters the creation of new financing intermediaries (Edery, 2006), which are interested in the development of rationale for investment decisions. Therefore they have endorsed the idea of social impact as the underlying principle of new performance metrics (Social Impact Investment Taskforce, 2014). The interplay of ‘investment logics and investor rationalities’ has ultimately lead to the ‘institutionalization of social investment’ (Nicholls, 2010) on the meso level of organizational fields. Just as single organisations or even more so does an informed investor landscape necessitate ways to assess social impact that are material to the investment decision. If the primary motivation is to create social value, it must be the detailed assessment of the latter that guides the promotion of the one or the other intervention.

Third and finally, the trends described above affect the macro level of political regulation. This has been fuelled by the circumstance that ‘social innovation’, as a response to contemporary challenges, has become a priority on the policy agenda of the EU and elsewhere. We currently face a newly emerging paradigm of evidence-based policy in favour of financing worthy social outcomes. Social impact bonds for instance, which aim to attract private investment in social matters are an illustrative case at hand (see Fox & Albertson, 2011 for the application of the instrument in criminal justice).[3] These cannot exist with an elaborate concept for measuring the impact is (supposed to be) increased (Mulgan, Reeder, Aylott, & Bo'sher, 2010, p. 21).

These developments on all three sociological levels undoubtedly underline the practical relevance of the impact perspective. Although they begin to sound commonplace, it has taken a considerable amount of time for such perspectives to emerge.

FROM TRADE-OFFS TO DISTINCT VALUE CREATION

For a long time, economic studies have been performed in a fairly isolated fashion, focusing on the technical aspects of supply and demand for market goods without giving much attention to the context in which economic activity takes place. Coase refers to this circumstance in an ironical remark, quoting poet Roy Campbell: “I see the bridle and the bit all right. But

[3] A social impact bond is a financial instrument where the state guarantees the repayment of the invested capital plus a premium to the investor, when predefined success criteria of the provided intervention have been met. In addition to the transfer of risk, this is done to lever efficiency as well as effectiveness and ultimately impact.

where's the bloody horse?" The same applies when Coase himself refers to economists studying the circulation of the blood without a body (1992, p. 73). He claims that this has changed through the rise of 'new institutional economics' (a term coined by Williamson 1975), which has embedded economic activity in the wider social context. This includes aspects such as culture and policy (Williamson, 2000, p. 597). This trend is said to have been initiated by the introduction of transaction costs that result from social interaction into economic analysis. These are dealt with in 'The Nature of the Firm' (Coase, 1937) and have been addressed even more explicitly in 'The Problem of Social Cost' (Coase, 1960). In the latter Coase discusses negative spill-overs and unintended effects of economic activity such as environmental pollution. He does so under consideration of costs of regulation. He argues that the rationale for regulatory decisions should result from a comparison between the benefits that result from economic production and the damage caused by it, expressed by the associated costs of this damage. In this study, however, he also admits (in reference to Frank H. Knight) that decisions on economic activity "[…] must ultimately dissolve into a study of aesthetics and morals" (1960, p. 21) and thereby performs a move from a rationality argument to a normative one. In the wake of this development, the focus has shifted slowly but steadily from the one on mere financial profits (following Friedman's famous article about the sole responsibility of business 1970) to other sorts of virtues of business activity, to first include environmental and later social issues.

Elkington (1998, p. 38), as the father of the 'triple-bottom-line' terminology argues that this results from growing stakeholder influence, which brings us back to the logic of new institutional economics. Through stressing the ecological and social dimension in business activity the concept of the 'triple-bottom-line' he strengthens the position of the latter two aspects against the goal of profit maximization. In addition to fostering cooperation between nongovernmental organizations as Elkington puts forth, the concept introduces the assessment of environmental impacts of projects or products as a critical variable to strategic decision making. This development has been driven further by the initiation of a discussion on ‘shared value’ by Porter and Kramer, “[…] which involves creating economic value in a way that *also* creates value for society by addressing its needs and challenges. […] It is not on the margin of what companies do but at the center.” (2011, p. XX, italics in original). While we cannot expect the striving for social value to trespass the one for financial profits in business corporations and Porter and Kramer’s claims of a symbiotic relation between the two have been subject to a fair deal of fierce and probably mostly justified criticism (Crane, Palazzo, Spence, & Matten, 2014), the case outlines that the social element has made a race up on the priority list of economic and business studies.

What has happened from a micro-economic perspective applies similarly from the macro level view of national accounts. Frey and Stutzer (2002, p. 12) posit that the happiness, life satisfaction or ‘well-being’ (used as interchangeable terms, although they might contain separate meanings) become increasingly important in grasping the value created in societies. These concepts are put forth as measurable constructs, which makes them fit for inclusion in (national) accounts. Frey and Stutzer as well as many other authors thereby provide an argument for capturing value creation by taking alternative roads, which deny a sole focus on tradable goods expressed in monetary equivalents. This has paved the ground for extending economic perspectives on value creation beyond the production of goods and services. It is supposed that traditional economic categories like unemployment rates, income or inflation could be complemented by assessing which effects on happiness are being caused by the functionality of democracies for instance.

This proposition is to be embedded in the wider context of ‘Welfare Economics’. So called ‘new wealth indicators’ (Diefenbacher & Zieschank, 2010) aim at integrating aspects such as the value of civic engagement or the prevalence of crime rates into national accounts, in order to reflect the wealth of a nation, a region or a city. This is supposed to provide a more comprehensive set of information than the isolated economic value of the Gross Domestic Product (GDP) represents. Not only German, but also international efforts on the ‘Measurement of Economic Performance and Social Progress’ have stressed the vital importance of the categories of health, education, ‘political voice and governance’ or ‘social connections and relationships’ (Stiglitz et al., 2009, p. 14) that should be part of a necessary shift in “[…] *emphasis from measuring economic production to measuring people’s well-being*” (2009, p. 12, italics in original). This aggregate view is very stimulating for the discussion of impact and provides both systematic and methodological insights. These insights do, however, have to be adapted when being transferred to a distinct value *creation* process at the organizational level.

This initial sketch of transitions in economic theory and business concepts underlines that there has been a shift in assessing the contributions made by organizations—from focussing on financial profits only and treating all other effects as a ‘trade-off’ against the latter, to accounting for other sorts of genuine value creation. The most promising road to developing a consistent and cogent concept for capturing such social value creation or social impact lies in a combined exploration of what we can learn from existent theory on economic productivity, which result in the proposition of a capital based approach. This approach will first be theoretically derived and then justified by comparing it to alternative conceptual foundations of social impact measurement. While the proposed concept of social impact is most relevant to civil society organisations and related organisational forms, whose main purpose lies in working towards a ‘good society’ and which are therefore considered the main subjects of this article, it is potentially as relevant to investigating the "[…] impacts and purposes that stretch far beyond firm performance" such as political influence (Whittington, 2012, p. 263) as a newly proposed focus of strategy research on commercial business.

PRODUCTIVITY, CAPITAL FORMS AND WELFARE

Many scholars have been discussing the connections between income, wealth, productivity, and economic progress—all of the first three being treated as both enablers and indicators of the latter (Salter, 1969, p. 2). As introduced above, controversies have arisen as to how far income and wealth are good indicators of the overall well-being of nations and societies, taking for instance inequalities of distribution or the adaptive nature of individual's perceptions to current life circumstances into account. These considerations have made the direct nexus between levels of income or wealth and their enabling effects on well-being or social welfare questionable. In this light, a variety of alternative approaches have emerged to assess social value creation, which are in consequence eligible for the assessment of social impact. Based on a review of the relevant literature I posit that four core framings of social impact can be distinguished: Social impact can be interpreted either as (1) the production of merit-goods; or (2) the creation of social benefits that have to be weighed against occurred costs; or (3) the increase of human capabilities; (4) the improvement of individuals' life-satisfaction.

In addition to several other issues that come up when applying these perspectives to social impact, which will be discussed in more detail later on, all of them have in common (partly with the exception of the capability approach) that they focus on the outcomes of an organisational production process, largely disregarding the production factors that form part of this process. A major problem arises where impact is understood this way: the "causality or attribution problem" (Anheier et al., 2014 in reference to for instance Byford & Sefton, 2003; Milton et al., 2012), that is the literal inability of assessors of impact to trace all effects triggered by an intervention down the line, where a variety of impacts occur at the same time and a multitude of variables confound.

It is argued in the following that focussing on the determinants of productivity, specifically on capital formation as a proxy of impact, helps circumventing this problem. It keeps the balance between measurement accuracy as well as immediacy on the one hand side and comprehensiveness on the other and thereby remains receptive of taking account of further (subsequent) social effects. What is more, focussing on social productivity and capital formation offers a transitory line in thinking about social welfare in the broadest of sense (that of societal prosperity) and targeted organizational activities contributing in specific ways to social welfare (social impact). The assessment of the latter is at the heart of the following conceptual discussion, but analogies to the broader meaning are drawn for illustrative purposes.

In order to explore the ideas of social productivity and capital formation, let us first turn to the concept of economic productivity. Salter (1969, p. 2), in his study of ‘Productivity and Technical Change’, points out that its only measureable concept is the one of “[…] output per unit of input”, at least unless, so Salter adds, there is a revolution in statistical techniques. I posit that the matter of a more encompassing concept of productivity lays not so much in revolutionary statistical techniques than in a re-interpretation of its meaning. We can use Salter’s own remark that productivity, by some scholars, is closely connected to welfare (1969, p. 2) as a starting point for our discussion. It has been outlined earlier that significant shifts have taken place in what, according to economic analysis, contributes to societal viability and renewal: mere economic productivity has been complemented by aspects such as solidarity, empowerment, citizen participation or the preservation of norms and values. Yet, the latter have not been recognized as components of 'social productivity'[4] just as the components of economic productivity have—and this has happened despite the fact that many commonalities can be identified when an analogy is drawn from economic productivity to social productivity. The following considerations will show why it makes sense to draw parallels between the two. Salter's work just referred to represents a useful reference, since it lays out the principles of productivity in a way that, if unintended, not only aids the study of the economic, but also that of the wider social system.

Salter impressively shows how economic productivity depends on resources, labour and capital as well as techniques to transform all of the latter into marketable products. Products represent the output of the production process and the prices at which they sell (minus the costs incurred) express the value that has been created through the production, or put otherwise the return of the initial investment decision. If we now broaden our view and look at social interactions and how they add value to society, that is how they are socially productive, we find a similar constellation of factors. Looking at the input side of this equation, labour is represented by working time of individuals spent for an activity. On the side of end results, we find among others: social cohesion, political stability, individual well-being—that is, various components of social welfare. Straightaway, it is becoming evident that we would typically not treat these variables as mere outputs, but as outcomes, since they depend on a complex system of follow-up effects, which the image of a standard, linear production process cannot capture. What is more, none of these outcomes are as easily measured as the outputs of the production process, since the outcomes represent non-tradable, (quasi-)public or merit goods, which in

[4] What I refer to as 'social productivity' is not be confused with 'social production theory' which offers an approach to order individuals' goals in their achievement of subjective well-being Ormel, Lindenberg, Steverink, and Verbrugge (1999), nor is it to be confused with the current policy use in the UK, where 'social productivity' refers to a greater recognition of citizen's preferences in public service provision Kippin and Lucas (2010); Kippin, Hauf, and Sadique (2012); Commission on 2020 Public Services (2010).

consequence cannot be priced in a straightforward way—if at all. This holds for ‘economic prosperity’ (as an outcome rather than an output) in a similar way, if we consider for instance that in the valuation of economic prosperity we must account for discrepancies in living standards, that is distribution of wealth, and in particular further effects on other outcomes (health, societal status etc.) of affected individuals. Yet, this ambiguity in valuation is considered less problematic in pure economic accounts than in social ones.

When abstracting from these differences, both in economic and social productivity we are dealing with a creative (in the sense of creation, not in that of creativity) process of transformation. This transformation process in turn depends on the employment of capital and production techniques. Capital in the production of goods mostly comes in the shape of production sites, machines or tools and thus ‘hard’ and discrete factor units. Salter (1969, p. 17) relates to this in reference to Schumpeter’s statement that the production function is “a planning function in a world of blue-prints where every element that is technologically variable can be changed at will” (Schumpeter, 1954, p. 1031). This view reaches its limits when we think of modern service industries, where the importance of resources as crude, physical objects generally decreases and the significance of ‘softer’ and more abstract production factors increases. These factors include ‘human capital’, which refers to education, skills, knowledge and expertise (Becker, 1964). The latter concept has transformed employees and workers, formerly treated as an anonymous mass of labour merely accounted for by the number of man-hours worked with no further (or only negligible) effects on productivity to a highly valuable and variable production asset, where productivity only derives from the combination of individuals’ time and effort with their specific skills.

If we accept that in service industries individuals’ properties are becoming more important as capital employed in the production/service provision process, we will recognize that there are further production factors that have become increasingly important: trust (for establishing inter-firm cooperation, but also customer loyalty); social ties (for participating in network structures and levering connectivity); stakeholder participation (for ensuring social legitimacy); norms and values (for meeting citizen's ethical preferences, including for instance the imperative of sustainability). This means that the traditional production factors, namely economic capital (physical assets, property, finance, etc.; see for instance Hennings, 2005) and human capital are complemented by others, which can be likewise categorized into capital forms. Social networks and trust have been discussed as components of 'social capital' (see for instance Coleman, 1988; Putnam, 2000). Empowerment and participation are aspects of 'political capital' (see for instance Huntington & Nelson, 1984; Verba, Nie, & Kim, 1978). Values and norms might be referred to as 'cultural capital' (in reference to for instance Bourdieu, 1986).[5]

Now, while social, political and cultural capital may after all remain secondary in nature to standard economic activity, the situation changes when we think about organizations that aim at contributing to social welfare more than to economic welfare, for instance by providing human-centred services or advocacy activities. These are mostly known under the label 'non-profit organisations' (Salamon & Anheier, 1992a; Salamon & Anheier, 1992b), but the range of actors that explicitly pursue social goals with priority has increased and includes social entrepreneurial organisations (Dees, 2001) just as some corporate social responsibility activities, at least those which are not merely 'instrumental' or 'political' (see Garriga & Melé, 2004). For all of them we can assume a significantly higher importance of the latter capital forms. What is more, for such organisations these forms of capital are not only relevant fac-

[5] Although Bourdieu mostly deals with aspects of 'high culture' like music and arts, rather than more basic cultural determinants and views the concept under the analytical lens of power rather than productivity, his concept represents a point of reference for sketching a concept of cultural capital, which refers to the more basic modifiers of cultural attitudes and behaviour and is in line with the notions of social and political capital.

tors within their internal production system, but in fact, also represent the intermediary goals of their production process that eventually enable the organisations' propagated higher level outcomes: justice, equity, political stability, social cohesion, inclusive communities.

Although the links are not unidirectional, we can identify dominant connections between capital forms and final outcomes, just as differences in economic welfare between developing countries and industrialized ones for instance are due to a relative lack of sophisticated production machines in the former: Political stability in turn mainly depends on civic participation and the possibility for interest groups to assert their positions or at least make them heard. A relative lack of political capital, on the contrary may lead to what is referred to as the 'Arab revolution' or the Euromaidan protests in Ukraine. One might of course argue that political stability also depends on other factors such as economic well-being, and austerity to be a source for social upheaval. One might also argue that some systems are viable although such rights are suppressed. Yet, most would agree that a political system that is participatory will have higher chances to sustain that one which lacks these. Furthermore, the undermining of social capital through strong urges of individualism, specifically in Western countries can lead not only to individuals' being forced to 'bowl alone' but may undermine social cohesion at a more general level (Putnam, 2000). Finally, justice and equity will be highest where cultural capital, based on shared norms and values is most pronounced. Please note that this is by no means an exhaustive list, but I believe the examples serve their illustrative purpose well.

Let us move the analogy between social productivity and economic productivity from the organisational to a meta-level. First, social, political and cultural capital, just as economic capital, can be regarded as 'productive assets' which are not only essential in any process of production, but possess value in themselves.[6] Without their existence transformation and value enhancing processes cannot take place and their neglect can lead to the complete breakdown of the productive system. The analogy suggests further that while the main purpose of economic activity remains to generate financial surplus, subject to preserving social, political and cultural capital and partly tapping these capital forms in its production process, social goals oriented activity aims to generate social, political and cultural capital, subject to the employment of economic capital and overall financial viability. Social, political and cultural capital do thereby for the most part not represent the ultimate goal of the performed activity but serve as enablers of the desired outcomes. The big value added that results from focussing on capital forms as enablers of social productivity is their relative immediacy, that is changes in capital forms are direct effects of organisational activity and more easily detectable than changes in outcomes. This means changes in societal capital assets are better fit for measurement than the tracing of outcomes. What is more, as illustrated by the connection between capital forms and the variety of outcomes, such capital forms can serve for covering the biggest share of social goals oriented organisational activity, that is they can provide a comprehensive account of value creation. At the same time they can be used to carve out an organisation's primary impact mechanism, that is the outcome(s) which has/have the biggest priority in the organisation's logic model (Weiss, 1972).[7] They do thus lead to a distinct focus in measuring that impact instead of trying to compile an all-encompassing account, which is condemned to be either too resource intensive due to the magnitude of effects or to be meaningless due to the attribution problem introduced above.

[6] The value of economic capital of course partly rests on the potential returns it may generate, some sorts of economic capital such as money or the natural resources that form part of capital equipment possess an inherent value that is fairly independent of their economic employment.

[7] Despite some variation in how the logic model is applied in the current practice of measurement, most stakeholders refer back to Weiss' initial conception (see for instance Social Impact Investment Taskforce (2014)). In contrast to how impact is defined in the latter document, namely as "effects [...] that follow from outcomes" (2014, p. 6), however, I see impact as 'attributable outcome', that is the outcome minus effects that would have happened without the intervention's existence (thereby following (2004, p. 7)).

Identification of primary impact mechanisms, and thus capital forms an analysis can focus on, is likely possible for most organisations. Here are some examples: Social capital is the main (not the exclusive) target of new models in old age care where individual isolation is a major problem. Multigenerational homes for instance try to address the challenge by building 'artificial' family structures and an informal system of support (see for instance Häfner, Beyreuther, & Schlicht, 2010, pp. 128f.). With a different motivation, but in a similar way certain measures in youth work, for instance youth centres, aim to counteract lack of self-esteem or impeded self-efficacy by integrating isolated youth into a larger, well functioning group. The build up of political capital is of main interest where initiatives aim to empower marginalised groups in local communities or as an indicator for the success of advocacy and awareness raising programmes. Cultural capital is of particular interest where it is fostered to limit socially offensive behaviour such as crime and violence, but also with regard to societal virtues like respect and openness towards minority groups (migrants for instance) on the one hand, and the willingness of these groups to be part of the society surrounding them on the other. A current study in support of this point is Mair, Battilana and Cardenas' (2012) use of capital forms for building a typology of social entrepreneurship models. Also in standard for-profit firms concepts of capital are applied in 'socio-eco-efficiency' analyses of industrial production (Möller & Schaltegger, 2005; Schmidt et al., 2004). These relate to capital approaches proposed by the World Bank as components of a social indicator system (Berger-Schmitt & Noll, 2000). In a similar way Stiglitz et al. (2009) refer to sorts of capital to account for social progress in national accounts.

To summarise the proposition: A standard investment decision is determined by the provisional price of the produced output, which is negotiated in the market, but also influenced by the price of labour and materials and the capital needed to produce the desired output, which is influenced by the current state-of-the-art technique (Salter, 1969, p. 55). A social investment decision in turn will be determined by the perceived value of the ultimate outcome, which we will consider to be some variation of target group well-being. The outcome in turn depends on labour (regular or subsidized professional work, voluntary engagement, or pro-bono services) as well as the formation of social, political and cultural capital with varying intensity in dependence of the nature of the desired outcome. With perfect knowledge of all variables at play as well as their interconnections, in order to account for productivity and thus derive a rationale for the investment decisions, we would have to split the desired outcome into each of its constituting components and meticulously trace where changes in these components come from. Since the latter however, is virtually impossible in the complexity of open social systems, we can instead take a short cut and use the capital assets built as a proxy for the eventual outcome. This can be done, just as the value (in this case: price) of labour and capital could be used as a proxy for the minimum price of outputs in the absence of a functioning market.

After having established the analogy between economic and social productivity as a foundation of the capital based approach to social impact, we will have to check whether the analogy remains consistent when we introduce innovation as an ‘advancement of techniques’ (Salter, 1969, p. 5), which leads to new levels of productivity. For if the capital approach would be of little use, if it were not able to adhere to standard production and innovation shifts alike.

THE EFFECTS OF INNOVATION

An advancement of techniques, according to Salter (1969, p. 5), can refer to incremental improvements or more significant changes in production methods. The latter he asserts is commonly referred to as innovation. Innovation can cause major leaps in productivity, but as Salter remarks, the cumulative effects of smaller improvements often match the effects of the greater shifts. In Salter's study the enhancement of techniques designates technological progress in machinery and equipment across a large variety of industries, including the production of bricks, cement, houses, shoes, beet sugar, cotton or jute. These shifts (with delays, due to time lags in the diffusion of innovation) have significantly increased the output of the respective production systems. In addition they have had direct consequences for the capital employed. The present or past capital in turn generally determines future productivity. The question of whether we can transfer insights on these issues from the analysis of economic productivity to that of social productivity will be explored in the following paragraphs.

Shifts in Capital Assets as Effects of Innovation

First of all, we can generally establish a link between economic innovation (mostly treated as technological innovation Gopalakrishnan & Damanpour, 1997) and the emergent discussion across the social sciences of social innovation as a driving force of societal change and renewal (Nicholls & Murdock, 2012a). In similar ways to how technological innovation affects economic productivity, social innovations can lever social productivity through changing capital forms. It would for instance inarguably be ascribed to Humboldt's foundation of the modern university, which Drucker (1985, p. 21) treats as a social innovation. In the case of the modern university we can actually detect effects on several capital assets: (1) If we argue that in the modern university the innovation lay primarily in forming a unity between research and teaching, we can focus on the subsequent increase in the level of human capital formed by universities. (2) If we put forth that the main innovative element lay in the establishment of self-governance and the strengthening of the power position of university bodies, we can regard the increased levels of autonomy and stakeholder participation and thus political capital, which enabled universities to draft research programmes and create administrative structures more independent of the state. (3) Partly as a complementary effect to the build up of political capital, if we consider the constituted independence of science and the part-revision of borders between disciplinary traditions as the foremost source of innovation, we can analyse the resulting increase in cross-border collaborations—both in the literal geographic sense and an a figurative one in reference to interdisciplinary research—and thus levered social capital. It is becoming evident that in all cases the enhancement of social productivity through innovation can be approximated by the formation of different capital assets. We can therefore conclude that in both cases, the one of economic and that of social productivity, shifts in techniques trigger changes in capital assets employed in the production process. Given that the thought experiment on innovation has worked for a very fundamental and broad incident, such as the foundation of the modern university, we can assume it will hold for more narrow innovations at the organisational level as well. What is more, if the capital analogy caters to the needs of assessing the effects of innovation, that is major shifts, it will likely also apply to standard organizational operations and incremental improvements.

To test the capital analogy further let us consider more closely the effects of innovation on capital equipment. First of all, it has to be remarked that social, political and cultural capital each is not as easily as economic capital grouped into active ‘productive capital equipment’ or passive and crude capital (Salter Salter, 1969, p. 50 uses the example of a bulldozer for the former and ‘five thousand shovels’ for the latter). Unlike economic capital, the other sorts of capital represent a more malleable as well as more universally applicable and transformable asset. Only in combination with the current state-of-the-art technique, we can say whether the interconnectivity between people for instance is more similar to the five thousand shovels or the bulldozer, whereas the bulldozer per se contains “[...] all the knowledge of modern science” (Salter, 1969, p. 50). To give an example: it makes a difference whether an immense group of students is (virtually) connected by more or less intense friendship bonds for the sake of standard social exchange, or whether masses of students mobilise—using these pre-existing connections—to demonstrate for more democracy in Hong-Kong. That is, dependent on the utilisation of social capital five thousand shovels can be transformed to a bulldozer. Such transformation is impossible with economic capital. However, the general connection between new techniques and changes in capital assets effectuated remains valid.

To elaborate on this: In relation to new best-practice techniques, Salter highlights that "[...] many cannot be effectively used without a new set of capital equipment" (Salter, 1969, p. 50). Does this hold for the other sorts of capital, too? Except for the circumstance that changes in these sorts of capital are of a discrete rather than an integral nature, it does. On the one hand we have to acknowledge that social capital does not reflect the temporal context or location in which it was built up in the same way as "[...] plants built at different dates embody in the form of their capital equipment the best-practice technique of their construction date" (Salter, 1969, p. 52). For one, social, political or cultural capital are much harder to describe and characterize in detail than economic capital. What is more, changes are not as easily detectable at face value. One plant may be replaced by a new one that not only carries new internal properties (for instance software), but also often comes in a new outfit (hardware). Changes in social capital will appear less fundamental, at least in outfit. For instance an 'old' social network is rarely going to be replaced entirely by a new one. On the other hand however, changes will still be clearly detectable. To illustrate this, let's refer back to social movements and consider which effects an innovation prompt has on the productive capital's composition: In a state of mobilisation social capital is more intensely used than in a state of relative settlement. Although there are generally different types of social movement networks (Diani, 2011), we can in principle assume that specific social nodes would become more central and stronger than others and that the networks' overall density would increase. In short, the character of the network would change fundamentally. Another good example is the one of human capital. When manufacturing, service or management innovation occurs, employees have to adapt their skills and knowledge, they have to transform to recognize, implement and carry out the innovation. A third and final example can be represented with a view on cultural capital. While the fundamentals of human values, mutual respect and tolerance have not changed through the international disability agenda of 'inclusion,' such values have to be (re-)interpreted and fostered to transform inclusion from a mere idea to actual practice. Thus, despite some differences in the nature of changes effectuated through innovation, the analogy remains generally valid when we regard shifts in capital assets triggered by innovation.

Capital Assets as Determinants of Productivity

The similarity between economic and social productivity prevails when we regard the connection between capital assets and productivity subject to innovation. Salter observes (1969, p. 52), in reference to John Maynard Keynes (1964), that the state of capital at present determines productivity in the future. Or put otherwise that present production is determined by past technology, since not all production can be switched to capital equipment with new and improved properties immediately. In consequence, the incomplete diffusion of technological innovation (to speak with Rogers 2003) hampers economic progress. Although the directedness might not be as uniform and pronounced in the other sorts of capital—for instance for these it may sometimes be less clear whether the old is definitely worse than the new—they behave very similarly. Take for instance our previous example in elderly care: Against an individualist life style, work life oriented choices of locality and demographic change in combination with equal or less resources for professional elderly care, new models are needed. Community oriented or multigenerational housing can help counteract individual isolation and strengthen mutual and self-help. Nonetheless such models are still far from dominant in elderly care and the established system of nursing homes prevails. This shall not mean that all nursing homes will have to be replaced by new models, especially since the former might more effectively cater to the needs of some people whereas others would benefit from new models. However, overall social productivity is determined by the different levels of social capital resulting from these two modes of organization.

Let us consider the links between capital and productivity more specifically. Salter (1969, pp. 27f.) formally and visually describes how under a given state of knowledge unit requirements of labour (ordinate) and capital (abscissa) define the best practice production curve as the lowest convex tangential function to the possible combinations of labour and capital, which themselves define the entirety of available techniques. If increases in efficiency or innovation occur, they result in labour or capital savings, and thus a new best-practice technique, a curve closer to the axes. Since the savings in labour and capital may be disproportionate in each of these steps, the curves of labour and capital requirements take on different shapes, which in turn affect the slope of the best practice production function. While the delicacy of these shifts and their constituting factors are not in our primary interest, we have to make sure that the general idea behind them would apply to social productivity just as it does to economic productivity. Thus, is it possible that productivity is levered not only by an increase in available capital, but also by a more efficient use of this capital, which would in effect reduce capital intensity?

Let us consider social capital as an example. A neighbourhood or community is going to be the more lively and thus the more productive in counteracting individual isolation or increasing residents' well-being, the more social capital there is (referring to the number and intensity of social contacts in that community). However, if we were to increase the effectiveness of contacts, for instance by introducing a system of mutual neighbourhood help,[8] which shall serve as the innovation incident here, social productivity could be levered to or above the same level as before even with decreasing levels of social capital. Thus the social productivity model *can* behave in the same way with regard to capital as the one on economic productivity. If we were to include some concept of labour in all of this, we might define the time and effort dedicated by individuals to social interactions (their engagement) as labour, while the presence and usability of these interactions has been drafted as the capital available. While social capital, as just described, might decrease across the community without any loss of productivity, the direction of changes in engagement levels is less clear. In absolute terms, we can assume that in line with the decreasing employment of capital, also the *need for* engagement involved will decrease. At the same time though, there are going to be relative shifts of engagement from the recipients of help towards those providing neighbourhood help.

It needs to be remarked that all of the considerations have been made independent of the question, whether social innovations, as illustrated by the neighbourhood help example, are even meant to decrease capital or labour/engagement intensity. This is also why the character of *possibility* or *necessity* has been highlighted above. In contrast to economic productivity we often do not seek to minimise labour and capital employment—in many cases we would seek the contrary due to the inherent positive value ascribed to civic engagement or social connectivity. But minimisation or at least reallocation might be necessary if we consider a closed social system under the restraint of limited resources, both in terms of social capital as well as in terms of individual time available for engagement. Shifts might be necessary in order to cater to more pressing needs (helping elderly people, disabled people or young families with children) in favour of less pressing ones (chatting with neighbours). At any rate, we can con-

[8] The informal system will in particular benefit the weaker community members such as elderly or disabled people or young couples in need of child care support.

clude that both economic and social productivity behave in similar ways with regard to their effects on capital assets, when innovation occurs.

What we have learned from all the observations in addition to the proximity of economic and other forms of capital, is that some interventions are relatively independent of the employed technique, whereas the assessment of others will require a more explicit account of techniques, a shift in which is considered innovation.

ALTERNATIVE WAYS OF ASSESSING SOCIAL IMPACT

There are many ways of classifying the immense variety of tools out there that are occupied with assessing social value creation (Maas, 2009; Tuan, 2008), some of which are not even preoccupied with measuring impact but rather with providing sustainability indicators or performing an organisational ‘due diligence’ process with regard to impact *potential* (Mildenberger, Münscher, & Schmitz, 2012). Although the landscape of measurement tools develops dynamically, and changes might have occurred since the last accounts, it is unlikely that yet another attempt of classification will bear substantial results. This is why I do not use existent measurement tools for outlining principle issues in the measurement of social impact (and only occasionally refer to some of the most widely applied ones for illustrative purposes), but present four distinct academic concepts or theories that are in principle eligible for conceptualizing social impact. The purpose of this exploration is not to give an encompassing account of these approaches—each of these has filled a vast number of books and articles—but to focus on the aspects that are key with regard to their application in impact measurement, especially in comparison to the capital based approach. It is thus necessarily sketchy and limited to a review of key texts, mostly original ones.

Impact as the Production of Merit Goods

Interpreting social impact as the production of ‘merit goods’, those goods that satisfy ‘merit wants’ (Musgrave, 1951; Musgrave, 1959), would represent a distinct way of assessing the ‘products’ in the social production system, taking into account the specific properties of the goods produced. Among the properties of merit goods are that they are ‘needs oriented’ rather than dependent on willingness-to-pay. This is a shared trait with social goals oriented organizational activity and has been newly pronounced as a central characteristic of social innovation (Nicholls & Murdock, 2012b). What comes in addition is their public benefit character, which takes precedence over individual wants. This resonates well with the idea of social productivity I introduced earlier. For some of the impacts discussed initially, such as social cohesion, justice, political stability, it is also relevant that they are non- or only partly exclusive, which is a trait of collective or public wants, which as Musgrave outlines share many commonalities with the more narrow concepts of merit goods (Musgrave, 1951). All three aspects, the needs orientation, the public benefit character and only part-exclusivity would for instance apply to the strengthening of community ties in a deprived context. It may suppress conflict and stimulate productivity across that community, independent of the particular involvement of individuals or their buying power. While *overall* benefitting the community as a whole and in equal amounts—that is everybody can potentially benefit of mutual help and a constructive climate of cooperation (characteristic of a public good)—some individuals will benefit *relatively* more from the network of ties than others, in particular more deprived individuals are likely to gain against the better-off. The circumstance that the strengthening of community ties is motivated by the ‘deserving’ of disadvantaged individuals, and thus produces an intended interference with the individual preferences of others (the better-off might have been better able to establish a position of power in weak community network), is treated as a characteristic of a merit want (Musgrave, 1951, p. 341). Musgrave’s concept seems superior in describing the character of the goods provided in this case and their underlying motivation than for instance Buchanan's alternative proposal built on individual preferences under consideration of external economies, which are complete in the "polar case of equal consumption" of the good (1960, p. 237). However, the merit goods approach does not seem to offer any useful point of reference for improving the challenges posed by the attribution problem. It suffers from an indistinctness and multi-facettedness of effects that cannot be easily allocated to a single or multiple goods. It is hardly possible to identify goods that result from social impact activity precisely.

In contrast to this, the capital forms represent a way of defining components which contribute to the desired final outcomes. They are thus more easily defined and measured. Indeed, we have to acknowledge that some of the capital forms introduced could—depending on the nature and goals of the individual intervention—by themselves be interpreted as the final outcome or at least be located at very close proximity to that final outcome. What is more, the capital forms focus primarily on collective rather than individual wants. This is not to say that the capital forms disregard the individual, but that they aim to capture value creation in a way which acknowledges that the common good is defined at the level of society. Values and norms for instance affect the individual but they are determined at the collective level and refer to the interactions *between* individuals. Non- or anti-violent attitudes and behaviours are an imperative that society defines for its individuals. The same applies to the newly pronounced principle of inclusiveness in community contexts, may it refer to people with disabilities or those with minority cultural backgrounds. Similar arguments can be put forth in relation to social connectedness—Elgar et al. for instance describe social capital as "more than the sum of social relations among individuals" (2011, p. 1051)—or political participation. Although not all individuals might equally value opportunities for engaging politically, these are posited to be a universal virtue, and an organisation whose declared impact is to empower people politically will have to be judged against the level of political capital it has produced. The value of this capital is partly independent of how much or how little political participation is part of individuals’ preferences.

Cost-Benefit Approaches

Cost-benefit analysis (Drèze & Stern, 1985; Layard & Glaister, 1994) is the archetype for the currently most widely spread methods of capturing social impact. For instance the ‘Social Return on Investment’ as developed by the Roberts Enterprise Development Fund and refined by the ‘new economics foundation’ or the ‘Best Alternative Charitable Option’ of Acumen (formerly known as Acumen Fund), a well-known social venture fund, are based on a cost-benefit logic. They try to assess the returns generated by a certain investment; by doing so they follow the logic of cash-flows. They assess the amount of money allocated to a particular organization against the resulting returns from this investment. The returns which are most easily captured are direct or indirect financial ones, the latter include for instance savings for the state, a regional government or the municipality. Due to their proximity to the logic of cash flows, these are the dimensions that are most recognised and studied. A recent systematic review of over 100 Social Return on Investment studies for instance outlines a clear neglect of the ‘social effects’ against the urge to capture such aspects that can be priced (Krlev et al., 2013). Thus, while cost-benefit analyses seem a good tool to fathom economic and socio-economic benefits where these are clearly identifiable, they are incapable of assessing the more ‘intangible’ benefits. This is no problem at all for some interventions, namely for those whose theory of change (or logic model) and operational strategy are both simple (Ebrahim & Rangan, 2010). For them, according to Ebrahim and Rangan’s proposition, it would suffice to look at mere outputs (which is what cost-benefit analyses actually often do Marée & Mertens, 2012): This is for instance the case for life-saving interventions, including refugee camps, vaccination initiatives, nutrition programs or such improving water hygiene or sanitation. For these it is important to know how much shelters have been provided, how many vaccinations given, how much food given out or how many chlorine tablets distributed. The more complex the logic model and the operational strategy however, so Ebrahim and Rangan advocate, the more will we have to focus on outcomes/impacts. But even in some of these cases we can apply cost-benefit analysis without many problems. This applies for instance to interventions that provide clear and direct financial benefits such as in work integration.

When we look at many other interventions though, the ‘social effects’ are much more important. In fact the raison d’être of most social goals driven organisations is other than producing financial economic or socio-economic benefits. Third sector, nonprofit, voluntary sector or civil society organisations (mostly used as equivalent terms) have emerged due to market (Hansmann, 1980; Hansmann, 1987; Titmuss, Oakley, & Ashton, 1970) and state failures (Weisbrod, 1975). Thus a paradox occurs when applying cost-benefit analysis to these kinds of organisations: If their purpose and mission is clearly other than financial, why then do we all of a sudden assume that monetary benefits of all performance criteria are fit to assess the value created by such and related organisations? In addition to the perceived inadequacy or insufficiency of the measure, focussing on it potentially leads to a waste of resources in the measurement process. Over and again, assessors of impact invest time and effort into pinning down an intervention’s welfare contribution by assessing its monetary value. However, what is likely to distinguish organisations are differences in producing their postulated social effects. Mair et al.’s (2012) study of social entrepreneurship models suggests that identifying the forms of capital an organisation is contributing to, is core to understanding its mission. Capital forms serve a systemizing function and simultaneously provide an approximation of further intended outcomes and the overall enhancement of the target groups' social productivity.

When comparing two interventions in similar fields and contexts, and with similar target groups, which would represent the first step towards comparability in impact measurement, it does in principle suffice to know how they differ in the formation of the specific capital form. All other efforts spent on further effects and their monetisation are varied only by the degree of the capital form in question. To give an example: In the ideal case we would therefore calculate only once the societal 'savings' by preventing juvenile crime and arrive at a monetary valuation for the intervention of two organisations by weighting these savings by the degree to which the alternative interventions are forming cultural capital (consisting of several components to be defined more specifically) immediately after the prevention effort and thus the likelihood of decreasing anti-social behaviour in the future. One might argue that such a 'focused estimate' is not reliable and in general it is tempting to think about impact in a very broad sense and to try to capture many (if not all) its aspects, and to do that over time. However, thinking that this would increase reliability is a false conclusion, for if we broaden the width and stretch the horizon of impact measurement too far, we invite so many contextual factors and confounding variables that we are no better off judging 'the actual' impact. At any rate it is becoming evident that we may even forego monetisation completely, since the level of capital determines the social investment decision already, or at least that a cost-benefit rationale may complement a capital based analysis but not replace it.

In addition to the potential distortions caused by cost-benefit analyses, we should consider how their foundation in the assumption of fixed preferences that are used to assess benefits may affect impact analyses. Bliss (1993, p. 425) in his analysis of measures of the standard of living puts forth that "[t]he idea that preferences are fixed and given is probably the least appealing idea that economists have ever come up with." In particular with regard to the analysis of social impact one is literally forced to agree with this assertion. The reason lies in that some social impact might be fundamentally grounded in the alteration of personal preferences and attitudes. Take for instance the violence prevention programme from before. The impact (and the formation of cultural capital) in this case lies in the transformation of individual preferences as regards violent behaviour, more specifically in effectuating a shift from delinquent, anti-social actions to conformity or pro-social behaviour, including its subsequent effects on quality of life, both of the individuals and their surroundings.

Thus, the aggregation of individual preferences, i.e. utility functions, may or may not accurately predict overall economic welfare (including income, consumption and purchasing power)[9], however, it *will* not serve in measuring social welfare, which is grounded in collective preferences rather than individual ones (compare to the point made in relation to the principles of merit goods). This line of argumentation is in parallel to what Bliss refers to as "lifestyles" that determine individual behaviour beyond the idiosyncratic and self-centred preferences. A collective orientation and a normative grounding of what is socially accepted versus that which is dismissed, is indispensible to exclude popular adverse examples with for instance a high degree of social capital such as the Mafia or extremist groups. The contestation of the fixed preference assumption is another point against the application of a cost-benefit logic in the measurement of impact.

The Capability Approach

[9] More broadly speaking everything that can be brought in relation "to the measuring rod of money" (Bliss (1993, p. 417) citing Pigou (1952, p. 11)).

Sen provides the argument that an orientation towards functionings (also referred to as a person's ability to function) would omit the incorrect results produced when assessing social welfare on the basis of individual preferences, while preserving the ability to judge "against the deprivation of living standards" (1993, p. 444) or to advocate the improvement of the latter. The combination of individual functionings is referred to as a "functioning n-tuple" and the *set* of such functioning n-tuples is called "*capability*", from which a person can choose one functioning n-tuple (see also Sen, 1985). The approach has been proposed and used to judge poverty alleviation (Alkire & Foster, 2011a; Alkire & Foster, 2011b), where poverty is understood as a deprivation of a person's freedom to choose from a multitude of possibilities to function, and thus a restriction of her capability, rather than a mere lack of income. Capabilities include a person's status in the community and her participation in community life, her possibilities to influence political decision making etc. At once one recognises overlaps with the social impact debate, and with the capital approach.

Sen's argument that a person's free choice from her functionings might serve as a better measure for social welfare or impact than the fixed preferences of cost-benefit analysis likely holds. However, its value for social impact measurement overall is limited to cases where misfunctionings affect societies broadly and all individuals nearly in the same way, e.g., where loggers attack the forest and create deserts that impede living conditions (globally). It is of limited explanatory potential, where from an aggregated welfare perspective the "elimination" of the impediment of functionings is equally valuable to society as its prevention or treatment. Take once again for instance crime incidents. A direct and severe punishment, that is the isolation of the criminal individual, may have similar or lower negative effects on the functionings of the broader community (including the individual) than keeping him or her within that community and tackling the problem by means of an anti-recidivism programme.

Critics could remark that keeping someone in prison, with the costs involved, will most certainly make the anti-recidivism programme preferable. The case looks different, if we look at it from a social impact perspective. That is when we include (potential) acts of recidivism or related sources of distress for the community, imprisoning the individual might be equally valuable despite the higher costs evoked or the fact that society would lose the productive capacity of this individual. If we were to apply the logics of functionings here, decision makers would be indifferent as to which option to choose. The decision would be unambiguous, if a capital based concept of social impact or welfare were applied.

The capital approach explicitly takes the inherent productive capacity of individuals, networks or virtues into account. It posits, even if both strategies result in the same state of functionings, the one option shall be preferred that unleashes *potential*, that is future productivity rather than binding it. The reasoning behind this rationale is that a positive value is ascribed to forms of capital (be they social, cultural or political) *per se*, that is without explicitly taking into account their uncertain and manifold consequences. It is suggested that social impact when understood as a contribution to building different forms of capital enhances society's capacity to act generally and is thus preferable to alternative measures that result in an equivalent set of functionings at present. The capital approach maintains decision consistency by explicitly utilising pre-defined sources of productivity in societies or combinations thereof as relevant measures of impact.

Life-satisfaction Approaches

Kröger and Weber (2014) have very recently proposed a conceptual framework for social impact measurement that is based on individual life-satisfaction. Kröger and Weber propose to calculate social value creation after an intervention by comparing changes in the life-satisfaction (LS) or domain-satisfaction (DS)[10] of an intervention group to that of a respective control group and 'normalising' this difference by the magnitude of the social need addressed by the analysed intervention, defined as the post-intervention regional/national LS or DS minus that of the control group.

What is the difficulty with such an approach? Interpersonal comparisons of LS or DS are fundamentally flawed by three effects, which shall be outlined in reference to Kroeger and Weber's proposed model. It is to be remarked that this is not meant to be an analytical discussion, but rather an argumentative one using extreme examples as well as sketchy comparisons of data estimates of their conclusiveness in order to outline why it is problematic to focus on life-satisfaction for comparing interventions, even more so when doing this across fields, regional and country boarders and treatment groups as proposed by Kröger and Weber propose.

First, LS approaches aggregate a variety of social properties or feelings, so that individual aspects are inseparable and become layered. The same goes for most domain-satisfaction levels, since although narrower, the domain of health satisfaction for instance is still considerably broad. Of course the explanatory value of every index is reduced by its aggregation of constituting elements, however, there is a difference between indexes that are composed of several individual components and such that test an aggregate measure to begin with, that is cover many aspects separate aspects by a single question, namely "how satisfied are you with X?". I am using the example of a mental health intervention discussed by Kröger and Weber, where the needs level of the intervention group is defined as the difference between the health satisfaction (DS) of mental health patients and the national/regional average. This difference and thus the target group's 'need' might actually not be due to the 'disadvantage' produced by

[10] DS is a breakdown of life satisfaction into several, domain-specific partitions such as health, education, etc. Kroeger and Weber (2014).

the patient's disability, but due to other life circumstances, for instance a particularly remote location that results in a feeling of isolation which in turn impedes the patients' mental health. Without controlling for all such factors no sound assessment of needs levels is possible by comparing individual with regional or national averages. And even if one tried to account for variations, focusing on the aggregate measure always entails a higher risk of missing out on critical influencing variables, than more fine-grained and punctuated sub-measures. To give a somewhat exaggerated example, using changes in LS or DS for assessing the effectiveness of a social intervention would be like asking for improvement in health satisfaction when testing new medication for blood pressure while disregarding the change in blood pressure, or potential side effects at the same time. Not only might the improved health satisfaction derive from side effects or pharmacological interaction with other medication, which would lead to an overestimation of positive effects; it might also be that an actual change in blood pressure does not manifest itself in increased health satisfaction, leading to underestimated effects. The latter is always the case where measures are at a too aggregate level to detect smaller, yet significant changes. I call this the '*aggregation effect*.'

Second, life-satisfaction is fundamentally subjective and malleable by the circumstances, and more so than other self-assessments, which may be tested by survey techniques. If we were to objectively assess the life satisfaction of a well-educated, rich person in a harmonic social, conflict free environment, which is moreover safe and prosperous (scenario A), with that of a person living in the exact opposite circumstances, that is with no education, a high level of social conflicts in a tension ridden environment (scenario B; be the scenarios in different or within one and the same country), we would have to find diametrically opposed LS levels. Otherwise we would assume none of these variables to affect LS and ergo that no intervention tackling these issues would produce a positive yield in LS. However, LS levels are not as different as we would expect them to be. Does that mean that discrepancies in life circumstances are unimportant or immaterial? No, the main reason for this circumstance is that individual expectations depend on individual life circumstances and expectations seem to decrease at a higher rate the worse conditions get. This results in fairly tolerable LS levels despite objectively bad conditions or fairly low LS levels despite excellent conditions. Another paradox that points to the influence of context conditions on perceptibly objective and conceptually consistent LS levels is found in Graham's example (2005, p. 52) of the Russian crisis in the 1990s which has led both employed and unemployed people to become happier with increasing rates of unemployment, that is to be personally more satisfied with a situation where the majority of other people is worse or at least not better off. I call this the '*context effect*'.

Third, LS furthermore depends on personality and is subject to change over time. Some persons might find it boring to have a settled, well-organised life and are therefore less happy with one and the same life than others. They might even be enticed to produce conflict. Also, while one and the same person might cherish scenario A as long as she finds herself bound to scenario B, her 'esteem' for scenario A could decrease the closer she gets to or the longer she finds herself in it after having successfully made the transition. Kahneman and Thaler (2006, also discussed in Diener, Lucas, & Scollon, 2006) for instance point out that changes in LS or DS are fundamentally influenced by the novelty of a circumstance or the attention it gets (specifically, they refer to an event as life-changing as paraplegia), with a tendency towards habituation and thus an adaption of LS levels to a previous state once this property moves out of the focus of the affected person's awareness. The reliability of the measure as a predictor of improvement or aggravation of a person's situation gets worse when *satisfaction* is in focus where the state a person finds herself in is objectively bad, but a source of satisfaction to said person. This issue partly relates to previous issue outlined with regard to preferences or the freedom to choice from functionings. It is the case where people exert violent behaviour and make a living of it, where school truancy rather than facing challenges in school is perceived as the easier way or where people objectively 'suffer' from an addiction, which in their perspective might be the source of joy. Judging the effectiveness of an intervention based on individual satisfaction is obviously ineligible in these cases. I call this the '*personality effect*'.

The index effect and the context effect are particularly relevant when assessing needs levels of an intervention's target group as proposed by Kröger and Weber by comparing their LS or DS with that of the general population, since differences might be context related or the reasons for the difference might be obscured. The 'personality effect' is particularly relevant when comparing changes in the DS of an intervention group to those of a control group, since the sources of satisfaction are not unidirectional for all persons. Moreover it outlines that LS approaches are not applicable at all to certain fields.

The capital approach suffers from neither of these effects. It aims to capture aggregate overall concepts determined in a societal legitimisation process and recognised as parts of social productivity. This counteracts the personality effect. Within the capital forms individual components are identified that incorporate some subjective measures, but such that relate for instance to attitudes and behaviours rather than to satisfaction which is influenced by the circumstances. This counteracts the context effect. Although the individual components form part of larger aggregate measures, they are assessed directly and one by one and thus recognised as distinct items. This counteracts the index effect.

LINKS FOR OPERATIONALISATION OF THE CAPITAL BASED APPROACH

Now that I have presented the capital based approach and concluded its superiority in assessing in particular the social aspects of social impact against several alternatives, it remains to outline how the approach can be practically relevant. I have outlined initially which specific fields are likely to focus most on which sort of capital in the exploration of primary 'impact mechanisms' or 'logic models', which is why the practical scope of relevance will not be repeated here. However, we need some insights on how exactly the proposed forms of capital can be operationalised for empirical research. The following paragraphs focus on a brief recap of the primary components of the capital forms as recognised in previous research and outline potential references for applying the concepts in the actual measurement of these components. It will be seen that applications at present are either limited to the macro level or societies or the micro level of individuals, which underscores the necessity of developing them further for application at the organisational level. At any rate it will become clear that a variety of, largely untapped, points of reference exist that can be used to test the proposed approach.

Social capital has been discussed with varying notions by prominent scholars (Bourdieu, 1986; Putnam, 2000). In addition to its reference to the connections between people as well as the strength of the bonds between them, typically it also includes personal trust and is central to the ideas of (re)integrating people socially or of building social solidarity (Braun, 2001; Priller, 2004). Since its emergence, a considerable body of literature concerning its measurement has developed (Grootaert, Narayan, Nyhan Jones, & Woolcock, 2004; Grootaert & van Bastelaer, 2002; Lillbacka, 2006; Narayan & Cassidy, 2001; Onyx & Bullen, 2000; Stone, 2001). Although attempts are usually situated at the macro level of society and employ secondary panel or cross-sectional data, they can inform its application for empirical measurement at the organisational level. The link between the two becomes particularly evident where social capital has been studied in relation to the formation of human capital in an organizational context, for instance in high schools (Coleman, 1988).

Political capital has been discussed in relation to political participation as well as the consideration of minority interests (Almond & Verba, 1989; Putnam, Leonardi, & Nanetti, 1993; Sørensen & Torfing, 2003). It can be expressed by degrees of civic political involvement or levels of political transparency (Huntington & Nelson, 1984; Verba et al., 1978). Insights into its measurement at the national level (Dalton, 2008; Kalaycioglu & Turan, 1981) can provide guidelines for its transfer to social impact measurement. A potential second variable of political capital to be considered is the one of assertiveness in promoting and enforcing political positions. This relates to the concept of 'advocacy coalition frameworks' (ACF) (Sabatier, 1998; Sabatier & Jenkins-Smith, 1993; Weible, Sabatier, & McQueen, 2009), a concept that is used to trace the influences of (groups) of actors on the process of policy formation.

Cultural capital relates to societal values and moral standards as well as cultural education and development (Bourdieu, 1986; Goldthorpe, 2007). It is closely connected to the theme of individual identity (formation) which is intensively debated in psychology (Davis & Marin, 2009; Wernet, Elman, & Pendleton, 2005). Although there are attempts of measurement, the subject is somewhat delicate due to its vagueness (Mruk, 2006, pp. 37ff.). Nonetheless, it is discussed as an operational variable for research in the social sciences (Abdelal, Herrera, Johnston, & McDermott, 2006). In terms of operationalisation the methods and findings of values surveys can be made use of (Esmer & Pettersson, 2007). The latter in particular are at proximity to the surveying of different aspects of overall well-being (Diener, Shigehiro, & Lucs, 2009; Eid & Larsen, 2008; Frey, 2010), specifically those directly referring to the individual's judgment of their own comfort, self-image and living circumstances. These approaches have been applied at the national (Diener, 2006) and at the individual level (Kahneman & Krueger, 2006). They may serve to outline the interconnectedness of spheres and provide a link back to the broader discussion of new concepts of welfare. The link to be established will however lie at the conceptual rather than the content-based level, since the difficulties of applying aggregate measures of well-being, such as domain or life-satisfaction have been discussed above.

CONCLUSION

This article has provided a conceptualisation of a capital based approach to impact. It has argued that the capital approach is a potent concept, which draws on fundamental principles of economic theory and the wider social sciences, and one which is practically capable of assessing socially productive activities of a variety of organizations. By drawing on prior research, it has been shown why it makes sense to think about and conceptually forge different sorts of capital to denote and pin-down various facets of social impact. It has furthermore been outlined how a capital based approach relates to and performs in comparison with alternative models to assess social welfare. The theoretical contribution made by this article can serve as a point of reference for future research; the capital approach however is still in need of further elaboration before its composition can be considered comprehensive. First, moving on from the focus on capital in the context of social productivity, we need to outline more specifically where social, political and cultural capital resemble and where they differ from economic capital. This requires a more detailed review of capital theory as well as the that on the other capital forms. Second, we have to move from the links outlined to operationalise the capital based approach to its actual application in empirical research, in order to pin down the real value added that stems from the concept. In view of the timeliness and salience of impact measurement against the present shortcomings in its current practice, both seem a more than worthwhile task.

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