

Briefing Paper 25

Value and the Third Sector: working paper on ideas for future research

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Introduction

The powerful stakeholders of government, funders or financiers, are pushing for measurable outcomes and evidence-based performance in order to better allocate finance or funding. This approach has been beneficial in enabling organisations to better understand what they are achieving and how, and to communicate this information clearly to government and to funders. There have been accusations that some third sector organisations have tended to make unsubstantiated claims about their impacts. A focus on rigour, performance and demonstrable impact has been part of changing this situation.

However, this focus on the value created for society or for beneficiaries, misses out some key aspects of third sector activity and functioning.

Firstly, values as beliefs and attitudes which inform activities and processes, may be inherent values and core to why or how organisations do what they do. Such values may be within an organisation's mission or strategy, held by individual stakeholders, or part of working practices. They are also likely to be important influences on the way in which any external outcomes are achieved. It is therefore important to both understand the inherent worth of such values as well as their

role in the maintenance and development of external impacts.

Secondly, some organisations or activities have 'existence' value by just being, for example, an art space or a community group.

And thirdly, the current and increasingly important conceptualisations of external value creation by the third sector tend to adopt approaches which assume 'blended' value between economic, social and environmental considerations. A widely used and promoted measure of such blended value is that of Social Return on Investment (SROI) which seeks to compare and combine third sector activities on a single monetary scale. Value creation is therefore being seen narrowly – as a simple and combinable impact, when the reality is often messy, involves conflict between outcomes and views, and cannot be easily added. There is much accepted theory and practice which shows that not all values can be easily monetized or that values may be fully or partly incommensurable – in other words, they cannot be easily compared on a standard scale or set of calculations.

But this is not just an externally imposed situation. Many organisations in the third sector have been actively contributing to this situation, adapting dominant ideas and values as a way to increase reputation,

attention, and resources. Others have adopted a subtly subversive approach by using the language and practices of government and business, but extending and altering them, through ideas such as 'blended value' or the 'triple bottom line'. Whilst there have been noticeable successes from this approach, there may also be limitations to the ability of an organisation to be truly transformational.

What is value?

The most common understandings of 'value' relate either to economic value – to some measure of the worth of what is created or desired by productive activity; or a personal or group belief about what is right – and which is often a guide to action. The first understanding has come to dominate and influence the way that third sector organisations are conceptualised and measured, and lies behind the focus on outcomes and the creation of 'social' value. However, only certain kinds of outcome in this case are generally seen as relevant or 'social'.

The second approach is reflected in what has come to be used by government and others as a defining phrase for third sector organisations – that of being 'values-driven'. It is therefore more concerned with motivations, finding ways to live values, and is a core part and determinant of the processes by which activities are done, or decided on. But this area is receiving very little attention, is weakly articulated, or evidenced.

If, we take a more moral and ethical approach to 'value', then we also come across a range of issues with practical implications. We know from experience that people hold many different moral beliefs and that these are complex mixes of individual experience and societal influence. Debates arise as to whether or not these views are reconcilable, or able to be ranked, negotiated, or compared in some way.

Third sector and value

The current debates about value in different parts of the third sector have been strongly influenced by a narrow economic conception of value and with a focus primarily on outcomes. This approach is particularly reflected in the development of metrics such as Social Return on Investment, or the need to assert evidence of 'added-value' (often compared with the private sector). Additionally, only certain kinds of outcome are seen as relevant or 'social'.

This bias is understandable since it fits with the needs and agendas of particular stakeholders, particularly government or finance and funding providers.

There is a danger therefore that the third sector will end up adopting and being forced to abide by practices and ideas that come from business and economics, which are ironically themselves being currently contested and altered.

Social value

The current dominant term in research and policy is that of 'social value'. It relates to specific outcomes which tend to focus on relieving disadvantage or on the results of local economic development. As such it suffers from being purely outcome-focused as well as only concerned with certain kinds of outcomes.

This outcome orientation has arisen as a result of US-influenced social entrepreneurship research and practice which is predominantly focused on entrepreneurship for social ends, or on the goals of non-profits, rather than radically altered ways of behaving whose values might be inherent to the processes of the business itself.

Even in this narrow sense, 'social value' can be created by all sectors and by partnerships, networks or activities. This therefore reduces its impact as a way to account for third sector value.

And broader ideas of social value have been developed such as those that look at the co-production of public space where the value is created through people's interactions with others and through their creation of attachments. There is therefore a danger of destroying forms of value and local meaning if a narrow individual outcomes approach to impact measurement and success is taken.

Value-drivers, inherent value or process value

For others, the notion of social enterprise and entrepreneurship has meant something more than outcomes. For example, the co-operatives' use of 'social' refers more to the values of co-operation as ethics and guides to action, and hence there is more focus on inherent and driving values or ways of working, than on outcomes for external beneficiaries.

As, government has focused primarily on local and public service outcomes, so the values of processes and intrinsic value, as well as the potential for conflict between values, have been downplayed. Multi-stakeholder governance models, for example, may have implicit value conflict in how they operate but are under-researched. Additionally, practitioners often find tensions between social, economic and environmental outcomes and have to constantly manage these.

Beyond economic ideas of value

There is some literature outside the third sector which also shows the limitations of the economic-influenced outcomes approach to value, for example, in the idea of 'public value' or 'cultural value' which also have relevance for understanding third sector activity.

Some third sector organisations also seek to find new ways of valuing. For example, in time banks 'worth' is measured differently, when, for example, one hour of accountancy is valued the same as one hour of dog-walking.

Measuring third sector value

Much measurement literature and practice related to the third sector is currently dominated by outcome measurement. Beyond the focus on monetisable outcomes, there are many practitioner-based or theoretically-backed measures, such as 'distance travelled', as well as processes for measuring or presenting broader kinds of value created, by using social audit or accounting.

Such approaches have been used by some third sector actors to subvert or manipulate conventions, in order to self-legitimate as well as change reality, for example, the idea of the 'triple bottom line'.

However, questions remain about how far derivative measures and concepts, however widened and able to influence reality, can or do incorporate all aspects of third sector activity.

Blended value and SROI

Behind dominant modes of valuing at present is the idea of blended value from which, for example, SROI flows as a measure. This blended value approach extends the idea of economic value to combined social and economic value created by an organisation or activity. However, this approach suffers from a presumption of 'win-win' and the need or requirement to 'blend' and hence suffers from the problems of unblendable outcomes as well as the potential conflict between values as outcomes or as beliefs.

Conclusions

Because of the current technocratic and narrow understandings of 'value' in relation to the third sector, there is a need for any research agenda to critically assess how and why such a situation has come about as well as to investigate all the dimensions of 'values' created, embodied, and core to mission and beliefs.

A more thorough understanding of value can also better articulate the drivers and functioning of third sector activity, as well as

better enable replication. It would also recognise the reality of the complex nature of values negotiation in organisational strategy, as well as the tensions between different forms of value-creation.

Implications for a future research agenda

There is a need to fully investigate the range of values held by, and which inform, third sector activity. For example:

- are all organisation values compatible or do organisations have to adopt complex ways of negotiating between values as beliefs or as outcomes when creating strategy and practice?
- how do values held as beliefs and attitudes affect the nature of the processes and ways of working embodied in third sector activity?
- how are ways of working and processes valued by participants, and how do they affect employee and stakeholder commitment and engagement as well as the creation of impact?

Impact measurement

With a strong current focus on impact measurement and ways of presenting such information, there is, however, little research that critically assesses the different commonly-used output, outcome and impact measures, or the integrative frameworks which are used to present the 'full value' of what is done, such as social audit or accounting.

Blended value and SROI

The development of the idea of 'blended value' should be critically assessed since it may serve to ignore or downplay complex situations where values cannot be combined, and fail to reflect the practical difficulties and implications for organisations that seek to practice multiple value creation.

Because of its potential dominance and impact on government and funding policy, SROI also needs to be critically assessed for its benefits and unintended or accidental disbenefits.

Work particularly needs to be done to assess the extent or otherwise of non-monetisable outcomes relative to different kinds of third sector activity, in order to place SROI in context and to critically ascertain its usefulness for policy and finance and funding provision.

Value pluralism and value conflicts

There is a gap in research on how third sector organisations deal with potential value conflicts in their practice, or between stakeholders, in outcome, process, strategy or motivations.

Governance

Much more work needs to be done on practical issues such as appropriate governance models for different kinds of value-oriented organisation since without this work, the danger is that the wrong or limited kind of governance is used for particular motivations and goals, or that the pros and cons of different types are not recognised.

Partnerships

There is a push towards partnerships and consortia, either between third sector organisations or across sectors, in order to make the most of each other's specific 'added values'. There seems to be a tendency to see such partnerships as creating combined value that is unique to that partnership and a result of 'win-win'.

Whether or not this is the case needs to be further investigated, as does the potential role of initial value negotiations and discussion prior to any activity.

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