Reference points for measuring social performance: Case study of a social business venture

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ABSTRACT

We present a longitudinal qualitative case study to elaborate on how a social venture forms reference points for social performance. Although organizations increasingly use various social performance targets to direct their operations, the scholarly knowledge on social performance reference points remains limited. We make use of the prior accounting literature and draw on the idea of compromising accounts to discuss how provisional and performative metrics can have a significant role in how organizations develop new ways to evaluate their social performance. Given that the social performance reference point criteria are ambiguous and the corresponding referents malleable, performative accounts are helpful as they can intervene in the organizational life by making particular things visible, providing space for interpretations, and facilitating discussion, thus creating temporary settlements and enabling opportunities for productive compromises between different organizational groups and evaluative principles. The recursive feedback loops between reference point referents, criteria and accounting artefacts help the organization to make sense of its own social performance and interpret the associated performance feedback, and thereby provide ground for organizational decisions on further action. Moreover, we discuss how imperfect accounts can be useful for social businesses in their pursuit of developing their activities and achieving social impact.

Executive summary

In this paper, we use a longitudinal qualitative case study to elaborate on how a social venture forms reference points for social performance (Nason et al., forthcoming). We position our work within the established literature on how a firm's strategic behaviour relates to the differences between its goals and performance (Ansoff, 1979; Cyert and March, 1963; Fiegenbaum et al., 1996). Organizational goals, also known as aspirations or reference points, are used by firms to evaluate their current performance and positions, subsequently leading to their taking different types of actions depending on whether the performance feedback is positive or negative (Gavetti et al., 2012; Petkova et al., 2014). Firm aspirations have long been theorized to consist of established financial reference points against which firm performance is evaluated. Recent literature has however also discussed how firms can either make use of multiple reference points simultaneously (Joseph and Gaba, 2015) or have specific individual reference points outside the traditional financial aspirations, such as social performance reference points (Nason et al., forthcoming). These questions are significant because the selection of reference points is argued to signify organizational priorities and overall direction and, hence, to have implications for organizational choices (Petkova et al., 2014). Prior theoretical discussion on reference points has mostly...
focused on firm-level aspirations, and calls have hence been made to explore how managers make sense of various reference points, particularly in settings where these reference points and their related feedback are ambiguous (Joseph and Gaba, 2015). It has been suggested that further research should look into how individuals receive, make sense of and assess both reference points and social performance feedback (see also Joseph and Gaba, 2015). This is particularly relevant in the context of social enterprises, in which inherent tensions often arise between different evaluative principles, manifesting in competing social and economic goals (Pache and Santos 2010).

Our empirical analysis focuses on a joint venture launched in 2008 by a Bangladeshi non-governmental organization (NGO) and a French multinational corporation (MNC). The case organization operates a water treatment plant that provides drinking water in rural Bangladesh through public tap points and private house connections. The organization operates as a social enterprise, the explicit goal of which is to deliver social value, but it is supposed to do so in a financially sustainable manner without any subsidies or grants. As such, it is an example of a hybrid organization embedded in two institutional logics, which implies the pursuit of different and, possibly conflicting, goals (Pache and Santos, 2010). Our empirical analysis draws on a longitudinal action research project, which lasted for six years between 2009 and 2015. We have had access to the organization since its foundation, which provides us a unique opportunity to understand how the evaluation of social performance has developed within the organization. Our analysis is based on a broad dataset, which consists of both a wide range of documents and archival material collected throughout the project, and 36 interviews undertaken in two sets in 2011–12 and early 2014.

Drawing on prior accounting literature and the idea of compromising accounts, we show how provisional and performative metrics have a significant role in how organizations develop new ways to evaluate their social performance. We discuss how compromising accounts, including recursive interplay between reference point referent, criteria and a corresponding accounting artefact, form an arena for dialogue in an organization and bring together groups holding different evaluative principles. These processes subsequently yield metrics, which can be used to evaluate the performance of the organization. Through crystallizing the debates and making the compromises visible, the metrics can serve as provisional settlements (Kaplan and Orlikowski, 2013), which are acceptable to different groups and as such have the potential to stabilize the compromising account. In addition, these provisional metrics and accounting artefacts are performative, implying that they do not just observe and reflect some organizational reality, but rather they directly intervene in the reality they are supposed to represent (see Vollmer et al., 2009). In other words, these accounting devices can shape the organization, as they affect how people talk about, work around and perceive the aspects the account depicts (Skaerbaek and Tryggestad, 2010). Similarly, the accounting artefacts and metrics can provide authoritative signals on the purpose of the organization, and thereby have real consequences on which things are considered important and prioritized (Chenhall et al., 2013).

We maintain that such performative metrics are helpful as they can intervene in the organizational life by making particular things visible, providing space for interpretations, and facilitating discussion, thus creating temporary settlements and enabling opportunities for productive compromises between different organizational groups and evaluative principles. We argue that such performative metrics help the organization make sense of its own social performance and interpret the associated performance feedback from its stakeholders, thereby providing ground for organizational decisions on further action. In addition, the performativity of the metrics can also trigger further debate regarding the appropriateness of the social performance reference points, possibly destabilizing the setting and prompting the organization into a search for alternative social performance reference points. By explicating on the significance of provisional and performative metrics, we hope to have through this paper opened up new ways of seeing how organizations set, formulate and interpret social performance reference points, and subsequently incorporate social performance in their strategic behaviour.

1. Introduction

In this paper, we present a longitudinal qualitative case study to shed further light on how a social venture forms reference points for social performance (Nason, Bacq, and Gras, forthcoming), and how in the organization compromising accounts (Chenhall et al., 2013) are made use of in developing metrics for its operations. We position our work within the established literature on how a firm’s strategic behaviour relates to the differences between its goals and performance (Ansoff, 1979; Cyert and March, 1963; Fiegenbaum et al., 1996). Organizational goals, also known as aspirations or reference points, are used by firms to evaluate their current performance and positions, subsequently leading to their taking different types of actions depending on whether the performance feedback is positive or negative (Gavetti et al., 2012; Petkova et al., 2014). For financial performance, organizations can readily resort to a range of regular, quantifiable and widely used reference points, such as the firm’s own historical performance data, benchmarks of peer companies or industries, as well as standard financial statement analysis indicators (Greve, 2002; Petkova et al., 2014). Nonetheless, firms are increasingly utilizing a broader range of reference points to prosper in the marketplace (see Bebbington et al., 2014; Nason et al., forthcoming). Recent literature has discussed how firms can either make use of multiple reference points simultaneously (Joseph and Gaba, 2015) or have specific individual reference points outside the traditional financial aspirations, such as social performance reference points (Nason et al., forthcoming). However, the theoretical knowledge of these settings remains limited, and further research has been called for (e.g. Joseph and Gaba, 2015; Shinkle, 2012). This lack of knowledge on social performance reference points and the associated firm behaviour is intriguing, given the rising prominence of social performance metrics and evaluation across markets (Bebbington et al., 2014).

Recently, however, Nason et al. (forthcoming) have proposed a novel theoretical approach to social performance reference points. On a conceptual level, Nason et al. (forthcoming) maintained that in contrast to financial performance, social performance is ambiguous and its reference points malleable. Due to this absence, Nason et al. (forthcoming) argued that firms engage and negotiate
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