Social Impact Measurement in Hybrid Organisations in Portugal: a Stakeholder-Based Adaptation of the Impact Frontiers Approach

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Abstract

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Social enterprises (SEs) are becoming increasingly important in addressing social issues. While driven by external pressures such as investor requirements, they are also internally motivated to measure social impact in order to improve their mission. Nevertheless, the measurement of social impact remains a complex process due to the conflict between standardisation and customisation and the high demand for resources. The thesis investigates the current challenges with impact measurement for SEs in Portugal and explores the potential for adapting the Impact Frontiers approach to their context. To achieve this, the study employs a qualitative approach by conducting semi-structured interviews with stakeholders within the social entrepreneurship ecosystem.

The findings indicate that the primary challenges are a lack of knowledge and perceived relevance, along with resource limitations and low awareness of the Impact Frontiers approach. By adding a phased and dual reporting component, the model can be customized to context-specific requirements of SEs. The enhancement of relevance and the facilitation of usability can be achieved by the provision of additional external support and the collaboration of all stakeholders. It is therefore possible to utilise the approach as a foundation for impact measurement, with the possibility of individual modification. The adapted model provides a guideline for SEs, investors and consultants, and sets the groundwork for future validation and research in diverse contexts.

Keywords: social impact measurement, social enterprises, impact frontiers, theory of change, standardisation and customisation, stakeholders perspectives, Portugal

Resumo

Título: Medição de impacto social em organizações híbridas em Portugal: uma adaptação da abordagem Impact Frontiers baseada nas partes interessadas

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As empresas sociais (ES) estão a tornar-se cada vez mais importantes na resolução de problemas sociais. Embora impulsionadas por pressões externas, como as exigências dos investidores, estão também motivadas internamente para medir o impacto social, a fim de melhorar a sua missão. No entanto, a medição do impacto social continua a ser um processo complexo devido ao conflito entre normalização e personalização e à elevada procura de recursos. Esta tese investiga os desafios actuais da medição de impacto para as ES em Portugal e explora o potencial de adaptação da abordagem Impact Frontiers ao seu contexto. Para tal, o estudo recorre a uma abordagem qualitativa, através da realização de entrevistas semi-estruturadas com intervenientes no ecossistema do empreendedorismo social.

Os resultados indicam que os principais desafios são a falta de conhecimento e a perceção da relevância, juntamente com as limitações de recursos e a pouca sensibilização para a abordagem das Fronteiras de Impacto. Ao adicionar uma componente de reporte faseado e duplo, o modelo pode ser personalizado de acordo com os requisitos específicos do contexto das ES. O aumento da relevância e a facilitação da usabilidade podem ser alcançados através da prestação de apoio externo adicional e da colaboração de todas as partes interessadas. Por conseguinte, é possível utilizar a abordagem como base para a medição do impacto, com a possibilidade de modificação individual. O modelo adaptado constitui uma orientação para as ES, os investidores e consultores, e estabelece as bases para uma futura validação e investigação em diversos contextos.

Palavras-chave: medição do impacto social, empresas sociais, fronteiras do impacto, teoria da mudança, normalização e personalização, perspectivas das partes interessadas, Portugal

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List of Abbreviations

IF	Impact Frontiers
IMP	Impact Management Project
OECD	Organisation for Economic Cooperation and Development
SBSC	Sustainability Balanced Scorecard
SDG	Sustainable Development Goals
SE	Social Enterprise
SIM	Social Impact Measurement
SROI	Social Return on Investment
ToC	Theory of Change

1 Introduction

The significance of social enterprises (SEs) is increasing rapidly. With a global turnover of two trillion US dollars and over ten million companies worldwide, the sector is demonstrating its economic relevance (Schwab Foundation, 2024). This growth is evident in the relatively recent emergence of SEs in Europe, where 63.5% of SEs were founded in the last ten years and 91% of SEs plan to scale their operations (Euclid, 2022). Portugal especially emphasises the importance of social entrepreneurship since the government launched the “Portugal Social Innovation” in 2020 in order to promote social innovation and the social investment market (Portugal Inovação Social, n.d.).

SEs are key contributors of social and sustainable development, combining economic goals with social impact through their hybrid business model. While achieving balance between these goals is challenging, SEs prioritise social impact as the core of their mission which aligns with the increasing global emphasis on sustainable development goals (SDGs) (Bansal et al., 2023). To continuously improve their social impact, SEs must measure and evaluate it. The importance of social impact measurement (SIM) is reflected in a study by Euclid (2023), which shows that 62.2% of SEs already engage in impact measurement. The underlying reasons for this can be attributed to both internal and external motivations. On the one hand, the pursuit of continuously improving decision-making and their impact is driven by internal motivation. On the other hand, external stakeholders demand quantifiable evidence of impact. Especially with growing impact investing, transparency and accountability in measuring social value are crucial for SEs to attract investment (GIIN, 2020b).
However, the implementation of an effective framework for SIM remains uncertain. A wide range of methods for impact measurement has been analysed in the academic literature, including Social Return on Investment (SROI) or Theory of Change (ToC). Nevertheless, these methodologies are characterised by a multitude of limitations such as the lack of standardisation, limited feasibility and high internal resource requirements (OECD, 2021). These limitations make it difficult to meet both internal and external motivations, thus emphasising the fundamental challenge of balancing between standardisation and customisation.

The Impact Frontiers (IF) approach is a relatively recent initiative that aims to assist investors in incorporating social and environmental impact factors into their decision-making processes. It is founded on frameworks such as the "Five Dimensions of Impact" and the "ABC

Classification", which were originally developed by the Impact Management Project (IMP). However, it remains unclear to what extent social entrepreneurs can benefit from this model and whether it facilitates their internal decision-making and improves social impact over time. This leads to the central research question of the thesis: *How can the Impact Frontiers approach be adapted to effectively measure social impact for social enterprises in Portugal?* Additionally, the study aims to explore the current challenges for SEs in Portugal in measuring social impact, which leads to the sub-question: how can social impact frameworks overcome the current challenges, in particular the challenge of standardisation versus customisation in order to fulfil the needs of SEs and be accepted by all stakeholders?

In order to provide a response to the research question, the thesis first focuses on the theoretical background by introducing terms, existing frameworks, the IF approach and challenges with SIM. Following this, new data will be collected using a qualitative approach, with semi-structured interviews being used to gather insights from different stakeholders of SEs. Based on these findings, the IF approach can be adapted to develop a more effective and standardised version for SEs. The new results are then discussed and critically evaluated with respect to potential recommendations for practical implementation, the limitations of the study and the necessity for further research. In conclusion, the thesis assesses the benefits of IF for SEs by considering current challenges and potential adaptations of the model to improve impact measurement.

2 Literature Review

Before collecting data, it is necessary to establish a theoretical foundation. To this end, a comprehensive literature review is required to establish the background of the thesis. The term “social impact measurement” is analysed in the first instance, including a discussion of the reasons for measurement and existing frameworks. The IF approach is then considered, with explanation of the concepts of the “Five Dimensions of Impact” and “ABC Classification”. Finally, the gaps in the literature are shown, focusing on the challenges of existing frameworks and the limitations of IF in order to highlight the need for new data collection.

2.1 Social Impact Measurement

2.1.1 Foundation of Social Impact Measurement

Despite the lack of a universally accepted definition of social enterprise (SE) in the academic literature (Saebi et al., 2018; Wu et al., 2020; Defourny & Nyssens, 2017), it is possible to conceptualise SEs as hybrid organisations that prioritise a mission driven by social objectives alongside financial goals (Battilana & Lee, 2014; Deepalakshmi & Lakshmi, 2024). This dual mission leads to tensions in the process of balancing these competing interests (Doherty et al. 2014, Saebi et al. 2018). Characteristics like business model innovation and stakeholder management help to maintain the social and economic goals of the enterprise and ensure a successful co-existence (Alberti & Garrido, 2017; Hahn & Ince, 2016). It can be argued that the mission with social value takes a central role and is not simply an additional component to financial objectives (Austin et al., 2006; Wu et al., 2020;, Lall, 2017). Therefore, the creation of impact for the environment and society is at the core of the enterprise and should be maximised (Wu et al., 2020; Hahn & Ince, 2016). This definition serves as the foundation for the thesis, emphasising the nature of SEs as a hybrid business model, as opposed to a definition of a legal form or organisation which does not exist in Portugal.

According to the Organisation for Economic Cooperation and Development (OECD, 2023), the term "social impact" is defined as the change in people's well-being or the environment that can be attributed to an organisation's activities. SEs, therefore, pursue a positive impact, which should result from their activities and manifest in a particular outcome. This outcome can be constituted in the SDGs, a set of global goals established by the United Nations. The SDGs consist of 17 overarching goals which address critical issues such as inequality, climate change, quality in education and economic growth (United Nations, n.d.). The mission of a SE align with the SDGs, which serve as a global communication tool for SEs to demonstrate their contributions and impact (Littlewood & Holt, 2018). The evidence of the alignment of the mission and SDGs is demonstrated by Euclid (2022), that shows that 83.2% of SEs tackle SDGs.

In order to capture the goal achievement of SDGs and their social impact, it is necessary to measure and assess the social value produced by the activities of SEs. The aim of such SIM is to create accountability, transparency and internal decision-making. In general, two main drivers of SIM can be identified: internal motivation and external pressure (Feor et al., 2023; Nguyen et al., 2015; van Rijn et al., 2024; Lall, 2017). On the one hand, SEs pursue internal goals

and want to continuously improve their social impact and facilitate decision-making with effective resource allocation (OECD, 2021). The social mission and internal development stands in the centre and SEs measure to improve their impact (van Rijn et al., 2024).
On the other hand, SIM is influenced by external stakeholders, meaning social impact has to be demonstrated in order to show the benefits for the whole community and to attract investors and raise funds. The proof of impact stands in the focus and SEs measure to fulfil external accountability and funding requirements (Agrawal & Hockerts, 2021b; van Rijn et al., 2024). Investors, in particular, play a crucial role as they are instrumental in establishing the foundation of a SE by providing resources (Nguyen et al., 2015). In this inter-organisational relationship it is important to ensure common goal alignment by considering the dual mission of both the SE and the impact investors with their external objectives (Agrawal & Hockerts, 2019a; Molecke & Pinkse, 2017).

In ensuring the efficiency of measurement, a clear framework must be implemented that fulfils the needs and expectations of external stakeholders. According to Costa & Pesci (2016), a sequential approach of analysing, identifying and including the needs of stakeholders throughout the whole SIM process is crucial in order to achieve greater accountability and adaptability in SIM (Feor et al., 2023). Especially, the interactive engagement and clear communication with the investors are recommended to be pursued since it has been shown to foster the partnership and result in better outcomes (Agrawal & Hockerts, 2019b). Consequently, the formulation of a strategy for SIM is crucial, involving the translation of the mission into impact objectives (OECD, 2024). This includes the definition of beneficiaries, duration, resource allocation and risks, resulting in a conceptual framework to measure impact. Nevertheless, given the heterogeneity of SEs, their divergent social impact and differing drivers, standardising SIM remains challenging. This complexity has resulted in the development of several frameworks, as Rawhouser et al. (2019) and Gupta et al. (2020) outline.

2.1.2 Existing Frameworks

As stated in Section 2.1.1, implementing an effective SIM process requires a structured framework, of which the extant literature provides a wide range (Corvo et al., 2021; Perrini et al. 2021). The most common framework utilised is the Social Return on Investment (SROI) (Feor et al., 2023), while other studies have developed their own framework and often use the Theory of Change (ToC) as a foundation. Other sources have mentioned the Sustainability Balanced

Scorecard (SBSC) as a suitable framework (Mio et al., 2021). Given the significant utilisation of these frameworks, they should be the central focus of this chapter.

The ToC is a logic-orientated framework which analyses the connection between activities and outcomes in order to describe the achieved change and long-term purpose of a SE (Mayne, 2015). ToC explains the relationship between objectives and practices and employs a process of five major steps: input, activities, output, outcome and impact. In this context outcome means the actual change in comparison to the output which is the results of the activities. It is critical that the mission constitutes the basis of the framework, with all steps being aligned with it, in order to facilitate the identification of potential challenges during the pursuit of the mission (Perrini et al., 2021). It also enables the communication of how SEs achieve their impact through storytelling. The ToC serves as the foundation for diverse frameworks, including a new holistic approach adopted by the OECD (2024), which provides a structure that follows measurement, management and maximisation. Another approach was developed by Arogyaswamy (2017) who proposes a time-based framework that expands on the logic model by incorporating five steps (Action-Resources, Predictors, Outputs, Outcomes and Impact) to measure impact over time.

The most frequently employed framework is the SROI (Feor et al., 2023; Corvo et al., 2021; Perrini et al. 2021), which converts social impact into monetary terms. This framework facilitates the quantification and evaluation of impact, which enables stakeholders to comprehend the impact and establishes benchmarks for comparing diverse performances. It is calculated by the ratio of each outcome divided by the investment. For evaluating social value, the firm has several options, such as comparing costs based on market value, willingness to pay, cost of use estimates or opportunity costs (Nielsen et al., 2021). In relation to the ToC, this quantitative framework is positioned at the final steps in the five step logic model, focusing on the outcome and impact rather than the activity. The clear development of the framework allows the SEs to optimise their mission accomplishment and the accounting system. It helps both the internal decision-making process and the external stakeholder communication (Perrini et al. 2021).

Furthermore, the SBSC is built on the classic balanced scorecard, which comprises four assessment perspectives: financial, customer, learning/growth and process (Kaplan & Norton, 1992). In order to ensure the connection between output and impact, the scorecard was extended by a fifth perspective: the social and environmental perspective (Asiaei & Bontis, 2019). This new

perspective allows the alignment and interaction of social goals with financial and operational goals. Each perspective uses its own metrics to ensure performance is effectively evaluated, but social impact cannot be monetised. The SBSC can thus be conceptualised as a holistic organisational performance assessment which can demonstrate the impact generated by the social enterprise as a whole.

2.2 Impact Frontiers

2.2.1 Intention, Background and Stakeholders

IF does not provide a classical framework, but rather an approach that supports investors in integrating impact and financial considerations into their decision-making processes. The initiative aims to guide organisations in understanding and managing the social and environmental outcomes of their investments in a strategic and structured way (Impact Frontiers Collaboration, 2020). It was developed by the IMP, a global collaborative effort with over 3,000 organisations that set the foundation for impact measurement and management and subsequently transferred into IF. This development is robust and signifies a substantial contribution to the field, offering a valuable approach to measure and standardise impact. Consequently, the implementation of this model can be beneficial for SEs.

Drawing upon financial theory (Markowitz, 1952), which primarily prioritises risk and financial return, a third component (impact) is now incorporated to manage the trade-off between profitability and sustainability (McCreless, 2017). Therefore, IF provides a model that assists investors in the selection of investments, their integration into existing portfolios and the optimisation of those portfolios. To achieve this, the impact of a company must be analysed, therefore the “Five Dimensions of Impact” framework is utilised. Once the Five Dimensions have been determined, SEs can be classified according to their social impact degree (“ABC Classification”). The subsequent step is the selection of the investment strategy and of the optimal portfolio for the investors, which underscores the primary focus on the investor’s perspective (Impact Frontiers, 2021). However, SEs can also benefit from this approach in order to report correctly and raise funds. This approach facilitates transparent communication of impact and optimised decision-making aligned with stakeholder priorities. Additionally, a SE can fulfil its dual mission of financial performance and social impact in the long term.

As the primary focus of this thesis is on frameworks for SIM rather than on investment decisions, the subsequent discussion will be limited to the Five Dimensions of Impact framework and the ABC Classification and does not consider the process of choosing the optimal portfolio.

2.2.2 Five Dimensions of Impact and ABC Classification

Five Dimensions of Impact

The IF approach is based on the Five Dimensions of Impact framework, which provides a theoretical basis for understanding how organisations generate impact and how they measure it. The model focuses on outcomes and the sector in which impact is intended to be generated, thereby concentrating on the evaluation of impact rather than the activities and the process of creating impact. In practice, the Five Dimensions framework is applied by the IRIS+ system, which is widely adopted by impact investors, with a reported 78% utilisation rate (Hand et al., 2023). IRIS+ integrates the Five Dimensions as its foundational framework to identify impact and which assists investors in the management, measurement and optimisation of their impact, thereby enhancing transparency (GIIN, 2020b).

The following section will describe these Five Dimensions according to the official homepage of IF (Impact Frontiers, n.d.-a; Impact Management Project, 2021):

What: this dimension defines the outcomes to which a SE is contributing and the importance of the impact on people and the environment. According to this dimension, the impact can be categorised as positive or negative and as intended or unintended. Furthermore, the dimension determines whether the outcome is a priority for the affected people and environment. This prioritisation defines the outcome threshold which is supported by internationally agreed human and social rights. The measurement is guided by the achievement of global goals, such as the SDGs, which ensure a better understanding of the impact.

Who: this dimension examines the stakeholders who experience the outcome. By considering the social, behavioural and geographic contexts the SEs and investors try to understand how they benefit or are disadvantaged by the impact. In this dimension, SEs can assess the relationship with the affected people or environment and can segment the groups. Organisations can customise impact methods to maximise positive outcomes and reach underserved communities by identifying systemic impediments and social injustices.

How much: this dimension provides an overview of the number of stakeholders affected, the degree of change in the communities or environment and the duration of their experience. This provides an understanding of the importance and sustainability of an outcome.

Contribution: this dimension examines the efforts of a SE or investors in achieving an outcome and assesses whether this outcome is beneficial compared to what would have happened otherwise. It considers external influences like peer enterprises and market dynamics in order to determine the unique role of intervention. Stakeholder feedback and comparative analysis are essential in understanding the true added value of the SE and investors' contribution.
Risk: the final dimension indicates the likelihood that the impact will occur and will not differ from what was expected. The risk will be determined out of ten types, including external risk, execution risk and unexpected negative consequences. Enterprises and investors can identify such risks by assessing their level and probability. This enables them to proactively implement strategies to mitigate potential harm.

ABC Classification

Following a comprehensive assessment of the impact with the assistance of the Five Dimensions, the implementation of the ABC Classification model becomes applicable. The ABC Classification framework constitutes a methodology for the categorisation of the impact that a SE or portfolio generates. Consequently, it can be understood as a final assessment of an enterprise or portfolio, rather than a standalone measurement model of impact. The utilisation of the ABC Classification framework assists in the establishment of clear goals, the enhancement of impact performance and the facilitation of transparency with external stakeholders. The framework subdivides impact into three areas according to the homepage of IF (Impact Frontiers, n.d.-b):

A: Act to Avoid Harm: in this category, the SEs attempt to minimise the negative effect on people and the environment. Therefore, SEs work to improve harmful outcomes that are outside the sustainable range, moving them closer to sustainability. However, acting to avoid harm does not necessarily mean generating positive outcomes.
B: Benefit People and the Planet: in this category, the SE tries to maintain or create a positive outcome within sustainable limits which ensures continued well-being for stakeholders or sustainability for the environment.
C: Contribute to Solutions: in this category, the SE attempts to tackle systemic social and environmental challenges. Organisations facilitate the resolution of broader societal or environmental issues by enhancing previously unsustainable outcomes that they did not originally cause. The SE takes direct actions to significantly improve outcomes where conditions were previously negative.

For enterprises or portfolios that fall outside these categories, the framework has created two more side-categories: M for "May cause Harm" or D for "Does cause harm". This classification facilitates a more extensive definition of social impact (see 2.1.1) and permits greater differentiation, including the demonstration that the social impact can be negative. Furthermore, the framework is characterised by its dynamism; consequently, if a C-enterprise fails to meet the criteria over time, it must be reclassified.

The following figure shows the IF approach by visualising the frameworks: Five Dimensions of Impact, ABC Classification and their interconnection (Impact Frontiers, n.d.-a,b).

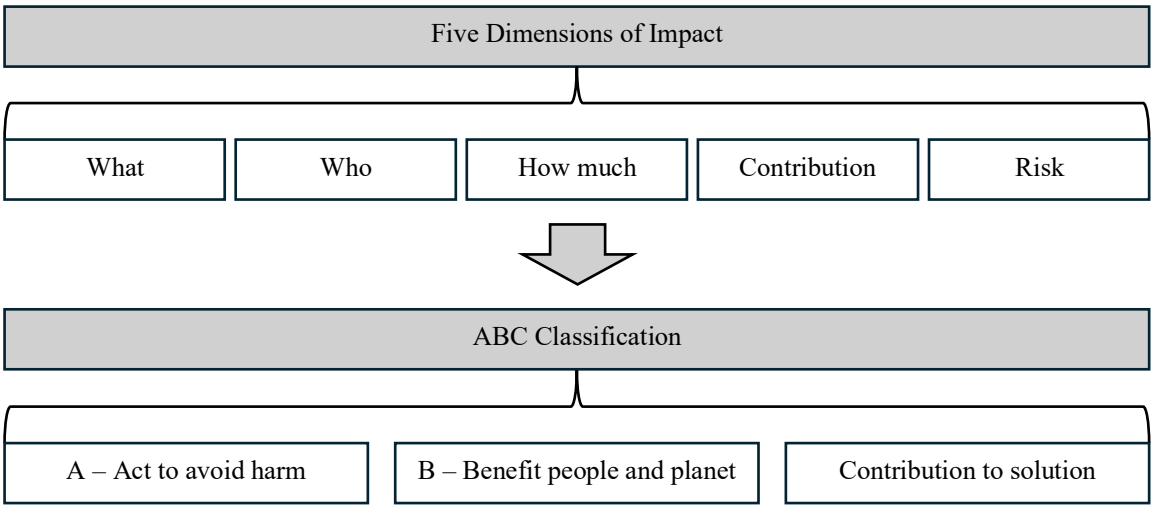

Figure 1: Connection between the Five Dimensions of Impact and the ABC Classification

2.3 Gaps in Existing Measurement Approaches

2.3.1 Existing Social Impact Measurement Challenges

In the context of SIM frameworks, the existing literature identifies a main challenge in the form of a trade-off between standardisation and customisation. It is noteworthy that the extensive variety of frameworks prevents the implementation of a "one-size-fits-all" approach which represents the most substantial challenge (Feor et al., 2023; Deepalakshmi & Lakshmi, 2024; Lall, 2017; Rawhouser et al. 2019). This lack of standardisation hinders the comparability of impact across organisations and industries and the ability to track long-term effects (Corvo et al., 2021; Saebi et al., 2018; Perrini et al. 2021; Grupta et al. 2020). Consequently, the need for standardised SIM-frameworks results in a less effective assessment of SEs, which hinders potential decision-making processes of investors.

Conversely, the customised frameworks themselves permit a considerable degree of flexibility in establishing objectives and selecting indicators, thereby fostering greater stakeholder

engagement and adaption to their needs (Costa & Pesci, 2016). The incorporation of a multi-perspective approach is essential for ensuring transparency and accurately reflecting the complexity of the real world (Costa & Pesci, 2016). Molecke & Pinkse (2017) also emphasise this trade-off, contending that the demand for standardised methods by investors can result in rigid measurement, which in turn can disrupt the logic chain of impact and fail to fulfil the mission. As a result, Nguyen et al. (2015) suggest that investors should consider more flexible, context-sensitive measurement approaches, ensuring that reporting does not burden SEs.
This highlights the conflict between the internal priorities of the SE, including qualitative and contextual insights, and those of investors, who demand quantified and standardised metrics. Therefore, it is crucial to achieve a balance between the two drivers, comparability and individual stakeholder needs, in order to develop an effective, impact-driven SIM framework.

This trade-off is further enhanced by the pressure from investors to demand short-term results, creating a tension with the long-term social impact. This is reflected in the prioritisation of short-term outcomes over long-term sustainability (Rao et al., 2019). The accurate measurement of social impact is complicated by the difficulty of comparing results due to the lack of standardised timelines and the failure of SEs to integrate early-stage indicators that predict long-term impact (Arogyaswamy, 2017). Therefore, Rawhouser et al. (2019) argue that a time-based measurement is required, especially in the period between activity and outcome, in order to ensure measurement before, during and after the activity.

As stated in Section 2.1.2, the most widely utilised framework is the SROI, which facilitates a common understanding of this model. However, existing literature also highlights the challenges associated with the SROI. By selecting individual metrics and choosing different assumptions, the level of subjectivity is enhanced and the complexity of the methodology is shown (Corvo & Pastore, 2021; Feor et al., 2023). Therefore, SROI does not offer a solution that can be universally applied, given that it is based on a highly individualised approach and varies across industries (Nielsen et. al, 2021). Next to this lack of comparability, the development of this indicator necessitates substantial financial and temporal resources, resulting in significant implementation costs (Nielsen et. al., 2021; Perrini et al. 2021).
These challenges are generalized by Feor et al. (2023) and Lall (2017), who argue that resource constraints hinder effective measurement and consider SIM as a burden for SEs, which results in a waste of resources. This is evident in the costly data collection process, which requires both financial and human resources (Molecke & Pinkse, 2017). Additional challenges are presented

by the high volume of required data and the resulting incompleteness, which can lead to an inaccurate assessment of the true impact. The complexity of data is further illustrated when translating data into simple measures, particularly in the context of intangible changes such as well-being or psychological change (OECD, 2024).

Similar challenges with subjectivity and comparability are also connected with the ToC. The framework is highly customisable by choosing its own metrics so that SEs often develop their unique approach. This can also lead to a high complexity to find relevant metrics for outcome. Therefore, stakeholder engagement needs to be enhanced but it is important to maintain the logical relation. Furthermore, ToC outlines impact pathways but does not quantify them due to the complexity of attributing a monetary value to data (OECD, 2015). Overall, the ToC can be used as a foundation but does not offer a universal solution. It should keep the focus on the relationship between activities and outcome for internal decision-making but should be complemented with a standardised approach to ensure external comparability (Nardi et al., 2021).

In comparison to the SROI and ToC, the SBSC is less frequently employed (Perrini et al., 2021). Due to its complexity, its implementation should be undertaken in a step by step, with consideration of resources and capabilities of each perspective. This high demand on resources is also reflected in the continuous collection and tracking of data. Consequently, the SBC is not recommended for SEs in early stages and is less effective in a cross-sector analysis. The rigidity of the framework's structure hinders its adaptability to dynamic SEs and causes time lags between social impact and immediate performance. Moreover, the complexity is illustrated by the balancing act of aligning financial and sustainable objectives, a process that is further enhanced by the quantification of sustainability objectives and their correlation to financial performance (Hansen & Schaltegger, 2016).

In conclusion, an analysis of the existing literature indicates that the SIM framework should incorporate a stable balance of comparability and decision-making processes, rather than being utilised exclusively for reporting and funding requirements. Consequently, investors should support flexible SIM models that assist SEs in refining their work (Lall, 2017). However, the existing frameworks lack of comparability, subjectivity and high-resources demand, which is emphasised by an extensive data collection process. This has resulted in a lack of a balanced framework that incorporates internal and external motivations for SIM, with the objective of maximising social impact.

2.3.2 Limitations of Impact Frontiers

As outlined in the description of IF, the main focus of the approach is on investors (Impact Frontiers, 2021). It remains unclear whether the model is applicable beyond investors and whether it effectively supports the needs of SEs. It is crucial that the framework also fulfils the internal motivation of SIM by improving the social mission and the internal decision-making process. However, the implementation of the model into the organisation can lead to issues due to resource constraints. This challenge is amplified by the complexity organisations face in translating their existing practices into the Five Dimensions. Furthermore, the model has been developed for the purpose of measuring and evaluating the direct impact of a SE. Nevertheless, the model is less effective in capturing systemic and long-term impacts, such as shifts in behaviour and policy changes.
In terms of the Five Dimensions, it can be stated that the "contribution" dimension is challenging since the evaluation of the consequences, that would have happened if the intervention had not taken place, is difficult. For measuring this dimension, the availability of data is found to be a crucial factor in the evaluation process. This is particularly problematic for small SEs, which often lack resources to collect data and assess diverse impacts (Impact Frontiers, n.d.-a). Furthermore, the dimensions of risk demonstrate certain limitations due to the interconnected nature of diverse risk types. This interconnection of risk types can result in a problem where mitigating one type of risk can lead to an increase in another type of risk (Impact Frontiers, n.d.-a). Thus, a personal judgement remains unavoidable during the measurement process.

The utilisation of the ABC Classification is limited in practice. It is evident that users are oriented towards older versions of this model and are utilising different methods to evaluate, which results in a difficult comparison (Impact Frontiers, 2023). Moreover, there is an absence of clarity regarding thresholds, with the lack of a standardised set of criteria for assessing the sustainability of outcomes and ensure classification. Furthermore, the consideration of all impacts (across the entire value chain and distribution network) simultaneously results in the issue of ignoring potential negative impacts that are offset by positive ones.

By gathering practical knowledge from stakeholders, it is possible to ensure that the approach can be adapted to address the identified challenges and limitations. These real-world insights could result in an adaptation that enables greater comparability and customisation to a SE's needs, as well as a better integration into the organisational processes.

3 Methodology

3.1 Research Approach

The thesis employs a qualitative research approach, which is appropriate for exploring complex social dynamics and capturing perspectives of diverse stakeholders (Lim, 2025). Qualitative methods are particularly suitable when the aim is to understand challenges which cannot be quantified. In view of the thesis's objective to analyse stakeholder's challenges and opportunities for improving the IF approach, a qualitative approach facilitates the collection of context-specific data on the social impact ecosystem which quantitative methods would not sufficiently capture. To implement this qualitative approach, semi-structured interviews were used because of their ability to combine a structured format with the option to delve into complex topics (Kallio et al., 2016). Moreover, the method is flexible in terms of questioning different stakeholders and assessing their role in the measurement process, while enabling a degree of comparability between responses.

In order to ensure the validity and trustworthiness of the thesis, it is essential that the interview guide is prepared in a structured way. Therefore, the interview guide was developed in accordance with the methodology outlined by Adams (2015). The interview guide was structured into three main sections: current SIM practices, motivation and challenges, evaluation of IF. The first section aims to identify the understanding of impact measurement, the use and customisation of frameworks. Building on this, the second section explores the factors that motivate SEs to assess impact, along with the most pressing challenges associated with impact measurement. The last part of the interview focuses on the awareness of IF and a discussion of potential improvements, limitations and relevant use cases, depending on the interviewee's knowledge. The whole interview guide is presented in Appendix A.

3.2 Data Collection

Semi-structured interviews were conducted with experts in the field of social entrepreneurship. In this context, it was essential to include a range of stakeholders to capture diverse perspectives since all stakeholders who are affected by or can affect an organisation's activities have a legitimate interest that should be considered, without a prioritisation (Donaldson & Preston, 1995). As this stakeholder theory outlines, the inclusion of all relevant players within the social impact ecosystem in Portugal is crucial to understand different views, thereby reflecting the systemic interdependencies of their roles. Therefore, a purposive sampling strategy was adopted to pick at least one representative from each stakeholder category. The interview partners were selected

in collaboration with a national council coordinated by Portugal Inovação Social. This national council was established by a Portuguese government initiative which highlights the relevance and expertise of the stakeholders in the area of social entrepreneurship. This collaboration facilitated the inclusion of key stakeholders such as social organisations, impact investors, consultants, academics and public organisations. The following table illustrates the various categorisations of interviewees, along with their role and organisation.

Classification	**Position & Organisation**	**ID**
Consultancy	Partner at: Social Data Lab - Social analysis laboratory	A
	Partner at: Sair da Casca - CSR Consulting	B
	Project Manager at: Sair da Casca - CSR Consulting	C
	Partner & Impact Director at: Stone Soup Consulting - Social impact consultancy	D
	Coordinator of the Social Development Department at: Aliados Consulting - Innovation & sustainability consultancy	E
Impact Investing Organisation	Analyst at: Maze - Impact investment and innovation firm	F
Public Organisation	Strategy and International Relations Advisor at: Portugal Inovação Social - Public initiative for social innovation funding	G
Non-profit Organisation	Executive Director at: IRIS - Social innovation incubator	H
	President at: ATB - Educational and social innovation NGO	I
	Project Manager at: GRACE - CSR and sustainability network	J
Academical Institution	Executive Director at: Nova SBE Leadership for Impact Knowledge Center	K

Table 1: List of Experts Interviewed

The total number of interviews conducted was eleven. It is important to note that only interview partners who consented to having the conversation in English were included in the interview process. The interviews were conducted between 24 March and 28 April 2025, with each interview lasting between 43 and 62 minutes. Due to geographical constraints, the interviews were held via Microsoft Teams in order to ensure the interviewee's flexibility.

3.3 Data Analysis

The extensive analysis of the data was conducted in accordance with the data structure methodology developed by Gioia (2013). This approach is designed to capture the complexity of qualitative data and to identify patterns across the data by concentrating on the interviewee's perspectives. The analysis is structured into three levels of coding. The first level of coding focuses on the direct quotes of the interviewees in order to stay close to the data. The second level initiates the interpretation process and begins to identify patterns for the analysis. Lastly, the third level constitutes the aggregation of the second level codes, which are thereby combined into broader conceptual categories. For example, a first-order quote such as, "*It gives me a good foundation to assess the impact but not really measure it at the end."* was grouped into a second-order theme such as *"IF as a guideline"* which in turn contribute to the aggregate dimension *"General perception and usefulness of the IF approach".* This structured coding approach enables a grounded interpretation of stakeholder experiences with IF. The outcome of this process is presented as a table in Appendix B, which demonstrates the connection from raw interview data to the conceptual themes.

To support the effective implementation of this approach, the data was systematically transcribed and coded using the software MAXQDA. This facilitates the implementation of a hybrid approach by integrating both inductive and deductive coding strategies. It is thus possible to achieve a balance between testing known concepts and capturing new insights.

4 Findings

The chapter's objective is to present the findings of the interviews data. As the interview structure suggests, the chapter is divided into three main sections: current SIM practices, motivation and challenges, awareness and limitations of IF. As explained in Chapter 3.3, the data was analysed and coded in accordance with the methodology of Gioia (2013) which supports the structure of each section with consideration of the aggregate dimensions and second-order themes. The detailed coding process is presented in Appendix B.

4.1 Current Impact Measurement Practises in Social Enterprises

While all stakeholders acknowledge the importance of impact measurement, practices vary across the interviewees with a certain degree of customisation applied. Nevertheless, it has been observed that the ToC is predominantly employed as a structuring instrument, with the majority of experts utilising it as a framework for measuring impact. This robust utilisation of the method is evidenced by the perception of Expert I, who asserts that 80% of consultancies are recommending its application. The ToC is employed as a fundamental starting point from which customisation is built according to each need (Expert D, E, K). This is highlighted by Expert C, who explained: *"We always start with the theory of change because, it really is the framework that allows us to structure information."*

This quote aligns with the second-order theme "ToC as a foundational framework", highlighted by its pragmatism and the capacity to establish the foundational structure of complex information (Expert B, C). In the same context the latter argues that this particular framework is both the most straightforward and the most "*democratic*". This is why Expert J states:

> *"Theory of Change, that's the one we have, the most developed one or that there are most people feeling comfortable about and knowing something about."*

In this particular context, he attributes considerable importance to the logical chain, an approach that helps identify outcomes that differ from initial expectations. Another reason for using the framework is the ability to incorporate multiple stakeholders with a common language between both internal and external stakeholders (Expert I).

The approach is advantageous when a company implements the ToC retrospectively, but becomes complicated when constructing the framework for the future. Expert A and B underscore the necessity for adaptation of this method in view of the organisational structure and area of expertise. This need for adaption is highlighted by all users of the framework, who argue that each situation is different and requires specific customisation. Another critique lies in distinguishing between outputs and outcomes, as the distinction between the two terms is often unclear and misapplied (Expert C). Moreover, Expert A has posited that the ToC is not a suitable framework for measurement, as it does not quantify the relevant data.

In addition to the extensive customisation of the ToC by the majority of experts, some other consultants have developed their own approach to meet the complexity of SIM. Expert A developed a more quantitative approach which is based on a weighted average of indicators, structured around five main pillars (profundity, durability, vulnerability, unicity and balance), that capture key dimensions of social change. These pillars enable both cross-case comparability

and contextual customisation through specific indicators tailored to each organisation. Additionally, the SROI was applied only a few times among the experts. For example, Expert I noted that SROI was used in one project primarily for its communication value, as monetising the impact helped stakeholders and investors clearly understand and compare the value created.

4.2 Motivation and Challenges with Impact Measurement

This section demonstrates the findings on the motivation behind conducting SIM with a focus on the distinction between external and internal drivers. In addition to the motivation, this section explores the key challenges cited by the experts and is structured by the aggregate dimensions.

4.2.1 External versus Internal Motivation

Most stakeholders identified external demands as the primary motivation for engaging in SIM, which represents the aggregate dimension "External motivation as main driver for SIM". Expert A observes that social organisations are motivated to prove their impact, which is often required by investors. Investors place strong expectations on social organisations to deliver measurable impact and they exert significant pressure to achieve it (Expert B, E). This is highlighted by Expert D:

> *"They are just pushed by their impact investors to do so. [...] It's totally pushed by impact investors or investors in general."*

In this particular context, Expert C posits that impact measurement serves to enhance communication with investors. That is why Expert I engages in SIM in order to attract investors and therefore takes proactive measures. In contrast, Expert J's observations of the Portuguese ecosystem reveal a limited presence of social organisations that utilise impact measurement to effect change internally, with a tendency to focus on fund-related reporting. Recent developments in the field of Social Innovation Portugal (Expert G) have led to the introduction of a new policy that obliges organisations to measure their impact and providing impact reports as a condition for receiving funding which enhances the external driver to engage in SIM.

The initial motivation for adoption of SIM is, therefore, driven by external pressures. However, following the implementation of such a measurement process, the benefits of enhancing effectiveness become apparent, thus enabling the facilitation of decision-making (Expert E). As Expert H explains:

> *"But when they start that path they realise, okay, here it is important data to improve. And then they want to do that for other projects where that external need or demand doesn't exist."*

This perspective presents the second-order theme "Self-reflection and internal decision-making" and shows how social organisations realise that the new data can be used to improve internal processes and strategic reflection, which is also emphasised by Expert A, B, F, I. The validity of this perception is further confirmed by the statements made by Expert C, who asserts that social organisations utilise it as an *"internal matter in terms of decision-making and to validate the impact that they wish to achieve."* This observation is supported by the profile and nature of social entrepreneurs, who demonstrate an intrinsic motivation to enhance impact (Expert K).

4.2.2 Key Challenges: Knowledge, Resources, Standardisation and Data Collection

Lack of Knowledge and Understanding the Relevance of SIM

Based on the data collected from all interviews, it is evident that the most significant challenge encountered in the context of SIM is a lack of knowledge. The origins of this challenge can be traced back to the emergence of social entrepreneurship in Portugal. As Expert G explains, the development is ongoing and the awareness of SIM is still in its early stages. This reflects the difficulty of selecting appropriate frameworks and understanding their relevance. Furthermore, Experts K and H emphasize that the entire ecosystem must be aware of both the intended impact and the purpose of impact measurement.

In order to comprehend the significance of SIM and build capabilities to select reliable indicators to validate actual outcomes, Expert C emphasises the need for proper training and clarity in measurement practices. This suggests that SEs frequently seek external assistance in the form of consultancies to support their impact measurement endeavours (Expert J). From a SE perspective, Expert I acknowledges the necessity for employee training to facilitate effective data management and highlights the understanding of the importance of SIM:

> *"I have to understand what is the importance of an impact evaluation. And I have to work the impact. So I have to understand the data, the interpretation and then make adjustments. It's a mindset."*

The lack of understanding the relevance is further emphasised by Expert A, who asserts that numerous social organisations lack a results-driven mindset, often assuming that good intentions alone are sufficient, while neglecting the necessity for SIM (second-order theme: "Lack of seeing relevance"). She further explains, that the mindset hinders the utilisation of analytical tools and mathematical indicators which are essential to analyse the complex data.

The pressing need for knowledge-building is recognised by Social Innovation Portugal, which is offering training sessions to develop SIM capabilities. In addition to that, IRIS offers a

certified course in impact management for organisations with no prior knowledge, covering fundamentals such as the ToC, indicator selection and raising awareness. It is therefore concluded that capacity-building is essential to overcome the challenge of *"Lack of internal knowledge and capacity to develop evaluation models"* (Expert E).

Resource Constraints as a Barrier to Practical Implementation

Another challenge is the lack of resources, particularly limited personnel and financial constraints (Expert B, I). This makes it difficult for organisations to allocate sufficient capacity to data collection and often limit their efforts to the bare minimum (Expert J). In many Portuguese social organisations, one person is often responsible for both implementing interventions and measuring their impact due to the lack of resources (Expert H, I). Furthermore, staff often prioritize community work over evaluation, thereby reinforcing the necessity for training in SIM and hiring a dedicated impact manager. This is emphasised by Expert C:

> *"It's a difficult thing financially and human resources specific and then specific training in terms of having a specific person doing these type of evaluations, I believe that they should have like one person, at least in each organisation, that only does this for every project."*

From a financial perspective, many SEs cannot afford the cost for additional personal or training (Expert I). One potential solution to this issue is to seek external support in the form of specialised consultancies (Expert H). However, SEs are often unable to commit to long-term impact assessment processes due to ongoing financial constraints (Expert E). In this context, Expert D and J highlight the need for investor support to assist social organisations in fulfilling their impact reporting obligations.

Lack of Standardisation

Despite the general consensus on the value of adopting a standardised measurement process, the environment of social organisations is marked by complexity, which makes the establishment of standardised indicators challenging (Expert D). As Expert K asserts, *"the societal challenges are quite complex"*, thereby demonstrating the impracticality of applying a framework in a "*plug-and-play*" manner across diverse organisations. This view reflects the second-order theme of "Absence of a universal framework" under the broader challenge of standardisation. In this context, Expert H mentions the issue of applying standardised indicators in practice and ensuring comparison, which is significantly more challenging to ensure between different contexts (e.g. social impact in schools versus hospitals). The necessity for a standardised model is acknowledged by Expert G, who identifies a dilemma between the creation of a standardised

method to facilitate impact measurement and the potential consequences of this on the creativity involved in improving impact.

> *"So even though we have more than 300 methodologies to measure impact, I felt that none of them fulfilled the characteristics that I felt that are important"*

This highlights the challenges encountered and the motivation for Expert A to develop their own framework, as discussed in Section 4.1, particularly in relation to quantitative measurement methods. This is why Expert J concludes this issue by stating: *"But I don't think in Portugal, we have a strong robust framework of social impact measurement."*

Data Collection Issues

In addition to the three major challenges outlined above, it is noteworthy that data collection frequently encounters difficulties (Expert D, F). The root cause of this issue can be attributed to the complexity and high volume of data. Additionally, the collection of data is often limited, which makes it difficult to keep track of data for projects with long-term goals (Expert F, I). Moreover, the process of data collection is dependent on the affected people of the intervention. The range of beneficiaries encompasses young children and the elderly, as well as individuals with no technological access. This inherent complexity, therefore, poses a significant barrier to the measurement of specific outcomes through conventional survey or interview methods (Expert A, H, I). This has the effect of reducing the availability of information and prepared data. This problem is especially significant in the case of organisations in the early stages of development (Expert B, D). Therefore, it requires well-established systems, as Expert E highlights, *"the volume of collected data often necessitates automated processes for collection, processing, and reporting."*

4.3 Stakeholders' Perspective on Impact Frontiers

4.3.1 Awareness and Initial Impressions

The interviewees demonstrated varying levels of familiarity with the IF approach: four had applied it; five were familiar but needed a refresher; two had not encountered it before. This distribution reflects a spectrum of familiarity which results in diverse perspectives on the model. As an applicant of the model, Expert C views the IF model as a comprehensive and valuable tool for structuring and communicating impact, especially from an investor's perspective. It facilitates the alignment of expectations between investors and investees and gives a multifaceted perspective on impact. This aligns with the second-order theme "Usefulness for strategic communication", in which Expert B states: *"It can also be useful for social organisations, as I*

said, for communication purposes and to gather arguments for investors." This perspective is supported by Expert J, who posits its efficacy in facilitating communication with stakeholders, particularly in the context of comparing different projects. In the statement *"that's one of the biggest advantages of this model is that you can customise, to and tailor to the client that you have in front of you.",* Expert F provides a rationale for its application and demonstrates that the model is viewed as flexible and comprehensive. This perspective is further substantiated by the observations of Experts I and J, who perceive the Five Dimensions as a clear and helpful structure to manage the complexity of social impact. As posited by Expert K, the model has the capacity to function as a foundational framework or guideline for SIM, which is highlighted by Expert D: *"As a guideline for measuring and managing impact, I find them quite useful."* In this context, Expert A observes, the model is seen more as a framework or broad guidelines than as a concrete measurement instrument. This is due to the absence of specific tools on data collection, quantification and the aggregation of results into measurable outcomes.

4.3.2 Perceived Limitations and Areas for Improvement

It is evident that IF is faced with numerous limitations. As Expert D has highlighted, this limitation can be attributed to the early stages of development of the method, coupled with its minimal practical application. The most frequently cited challenge concerns the contribution dimension within the Five Dimensions of Impact. Additionally, issues are emerging that relate to the rigour and feasibility of the approach in the context of an organisation's stage of development. Finally, the interviewees placed emphasis on the constraints that are imposed by the ABC Classification.

Difficulty of Measuring Contribution and Isolating Impact

The majority of stakeholders identified the evaluation of the contribution dimension as the main challenge of IF. While its theoretical importance is evident, the practical application of the concept is challenging. It is asserted by Experts A and D that the establishment of causality through the utilisation of control groups and longitudinal studies is an almost impossible task within the social sector. The implementation of these approaches demands resources and the active involvement of participants, which are often challenging to achieve in practical settings. In this context, Expert F emphasises that the evaluation of contributions becomes challenging when the final outcomes are not easily observable, particularly in interventions targeting long-term change. This challenge has hindered the implementation of a control group and often results in

identifying alternative contributors who may be engaged in similar work with the same target group.

In addition to the influence of multiple stakeholders and the impracticality of control groups, Expert K explains the lack of assessing causality due to the presence of a linear view of impact. Without a systemic perspective it is hard to understand what would have happened without the intervention. As Expert D asserts, a transition from an individual impact perspective to a more systemic view can facilitate enhanced evaluation of an organisation's contribution to broader system change. Nevertheless, this challenges the model and the dimension of contribution, which aim to isolate outcomes and to prove that an outcome is directly due to an intervention. This can be concluded by the statement of Expert F:

> *"The contribution, which is in my view the more challenging dimension of the five [...] it's really hard to isolate the outcome that eventually happened."*

Tension between Rigour and Feasibility

As Expert D has observed, the model is also demanding and shows a *"one-size-fits-all"* approach, which often makes it difficult to fully apply in practice. The successful implementation of such measures is said to require all parties to speak a common language and be at a certain level of readiness among all stakeholders involved. However, this remains a challenge in the Portuguese social sector (Expert B). A similar standpoint is adopted by Expert I, who argues that standardised instruments may not fully capture the complexity of each context and that the application requires project-specific measurement tools. Especially as projects evolve over time, the evaluation model must remain flexible and adaptable to changes in resources, personnel, activities and broader contextual dynamics (Expert B). This process involves the collection of data, as outlined in section 4.2, and this issue exists in disorganised companies (Expert A). Concerns regarding the implementation capacity and the stage of development of a SE have been expressed by Expert D:

> *"It depends on the implementation. It's tough. So that's why I think that I will apply the Impact Frontiers model to more structured enterprises."*

Furthermore, the risk dimension is perceived by Expert D to be too rigid and it is considered that assessing all ten risk categories can be overwhelming for smaller SEs. Expert F and H both highlight challenges related to the "how much" dimension, emphasising the need to overcome data limitations and define the right outcome, as well as combining qualitative and quantitative data for a more complete understanding of impact, rather than only trusting numbers.

The model exhibits a certain degree of rigidity, particularly in circumstances where data availability is limited or the timing of measurements does not align with the impact intervention.

This indicates that impact is inherently dynamic, necessitating flexibility in measurement processes and selection of indicators. Consequently, the IF functions more as a static snapshot than a dynamic tool for continuous impact management (Expert B).

Limitations of the ABC Classification

In relation to the ABC Classification, the experts presented a range of divergent perspectives, emphasising numerous issues within the context of the applicability of the classification to SEs. Expert B argues:

> *"But we don't really use it directly for social organisations. I haven't found that it's very useful for them to know where they are in terms of this ABC Classification. For me, it's more of an investment language that is useful for investors."*

This highlights the perception that the tool is primarily suited to investors than social organisations. The language and framing can be discouraging for SEs, especially when lower categories such as "A" are perceived negatively (Expert B, H) and when SEs perceive themselves as organisations that are contributing to solutions and belonging to the "C" category (Expert D, F). Moreover, a challenge is the subjectivity inherent in the classification process (Expert A, C). In the absence of a transparent, point-based scoring system, the attribution of categories can seem arbitrary, thereby compromising the reliability of the process, despite the potential usefulness of the outcome (Expert A). It is also necessary to mention that the ABC Classification is too reductive, as organisations often address multiple issues across different dimensions. While the approach can be beneficial in the evaluation of specific interventions, its application in the classification of entire organisations is arguably overly simplistic, potentially resulting in an underestimation of their comprehensive impact (Expert J). Nonetheless, Expert K considers the ABC Classification to be advantageous for dialogue and learning. However, she underscores the necessity of a systems-thinking approach to identify unintended negative externalities and the provision of a comprehensive perspective on impact.

5 Discussion

This chapter focuses on the analysis and discussion of the results. Firstly, the findings from the interviews are explored in relation to extant literature with the aim to analyse the motivation behind SIM, the challenges faced by SEs and practical use of frameworks. The IF approach is then evaluated and possible improvements and adaptations are developed. Finally, the concluding section of the study identifies the limitations of the thesis and proposes further research, and outlines practical and theoretical implications.

5.1 Key Takeaways for Social Impact Measurement

Understanding the purpose and motivation for SIM is essential for selecting and implementing suitable frameworks. A review of the extant literature suggests that SEs are primarily driven by external pressure (investors) (Nguyen et al., 2015), a hypothesis that is supported by the stakeholders' perception of the social impact ecosystem in Portugal (Expert B, D, E). It is therefore imperative that a framework is designed to communicate with investors in order to attract them. This has the potential to address the challenge of standardisation, thereby facilitating the establishment of a universal framework that ensures the comparability of data and a common language across investors.

However, it is evident that internal use of SIM is beneficial for SEs in terms of learning and decision-making (van Rijn et al., 2024). Once the SIM process has been initiated, SEs recognise the potential value of its application in the context of improved intervention and enhanced resource allocation (Expert E, H). As the extant literature also emphasises, this is in line with the core mission of generating social value (Wu et al., 2020). In order to derive all the benefits from SIM, a SE must customise its approach to suit its specific context and needs. It is therefore apparent that the concept of customisation is supported, whereby SEs develop their own approach and do not adopt a "one-size-fits-all" approach.

While the trade-off between standardisation and customisation is linked to motivation, it is crucial to consider a challenge one step before implementing a method for SIM. In contrast to the findings of the extant literature, several experts identified a lack of knowledge and understanding of the relevance as a more fundamental challenge (Expert E). The development of impact measurement awareness remains under-developed in Portugal, with the majority of SEs not perceiving a pressing need to engage in SIM (Expert G, K). In this context, systems thinking was identified as a particular issue, which hinders understanding complex and long-term impact. This knowledge gap is further supported by the lack of human and financial resources. This leads to the need to accept assistance from investors or external stakeholders. It is therefore recommended that resources be allocated at the initial stage, for example, in the form of having trainings to acquire knowledge, with a view to modifying people's attitudes towards SIM and enhancing their capacity to define their impact.

Following the establishment of this foundation, the implementation of a framework can be initiated. It is imperative that this framework is designed to meet the dual objectives of addressing both external (comparability) and internal (context-specific) requirements. This suggests that

the framework should comprise specific pillars that permit a certain degree of customisation, thereby enabling SEs to adopt the framework as a guideline with a degree of flexibility.
In order to address the issues of long-term tracking and maintaining relevance, it is essential that the framework is implemented within an ongoing impact measurement process. The chosen KPIs for impact measurement need to play a role in the management system to achieve the goal of impact improvement over time.

It is evident that one of the most frequently cited frameworks in the extant literature is the ToC (Mayne, 2015), a fact that is supported by the findings of the interviews (Expert D, I). As has been emphasised in previous research, there is a logical chain between activities and outcomes. Thus, the method should be used to measure the outcome of projects but still has the need to be complemented with a foundational approach. This viewpoint is further substantiated by the perceptions of the interviews, which value the ease of use of the framework, yet also underscore the necessity for customising the approach for each individual situation (Expert C). This demonstrates an increasing tendency to customise rather than adhere to rigid frameworks.
However, it is imperative to acknowledge the constraints imposed by this theoretical framework. As indicated by the extant literature, the subjective selection of appropriate indicators for output and outcome results in a lower degree of comparability (Nardi et al., 2021). Furthermore, there is a need for the implementation of a component that will facilitate the identification and mitigation of negative and unintended outcomes. This has a negative effect on the external motivation to demonstrate impact and attract investors. This necessitates the introduction of a new model to serve as a guideline for measuring impact. It is crucial to ensure that communication with investors is clear and effective, thereby ensuring their awareness of impact. This prompts the question of how IF could address the balance between structure and flexibility.

5.2 Proposed Improvements for Impact Frontiers

The IF approach is recognised as a comprehensive strategy for structuring and communicating impact to investors (Expert B, C). However, the general awareness and application of IF in the Portuguese social impact ecosystem is relatively low. This is supported by the main issue that the approach was not designed for SEs, but rather from the perspective of investors (Impact Frontiers, 2021). Therefore, it is essential to integrate a model that is compatible with the SE-context and straightforward to utilise, while maintaining ease of communication with investors. This implies the need for awareness building and simplification through accessible language, relevant use-cases and trainings. In order to achieve a successful implementation, it is necessary

to obtain external assistance and clear guidance, either in the form of investors, consultants or public organisations. It is recommended that investors provide enhanced support in terms of financial and human resources. This will facilitate the allocation of resources and make IF more feasible, particularly during the early stages of development.

To address investor expectations while maintaining organisational relevance, the framework should distinguish between a standardised external summary and flexible internal indicators tailored to the SE's context. This dual reporting approach enhances communication with investors and facilitates improvement of impact. This suggests that the model should concentrate on its fundamental pillars and permit the flexible identification of indicators within the primary dimensions. As a result, it overcomes the challenges associated with standardisation and customisation, thereby overcoming the perception of the model as a "one-size-fits-all" approach (Expert D). On the one hand, the external summary is characterised by its standardisation and alignment with the investor's expectations. On the other hand, internal indicators can be customised in order to enhance internal decision-making, thereby offering flexibility and adaptation to the specific context of each SE or project.

With regard to the Five Dimensions, it is evident that they exhibit clearly defined categories for the purpose of benchmarking and comparison (Expert C). Consequently, they serve as an adequate starting point for the establishment of standards. While SEs recognise the benefits of the structure, they rarely continue to use it in its full form due to the time and resource intensity it demands. Thus, the implementation of the model necessitates a sophisticated data collection process and resources that are not readily available to small SEs (Expert D). One potential solution to this issue could be the implementation of a phased implementation model. The first phase would require SEs to formulate qualitative reflections based on guiding questions, then to align with the first three of the Five Dimensions using basic indicators and finally to focus on the full adoption of the Five Dimensions and ABC Classification. These adjustments have the potential to reduce the entry barriers to SIM for small and early-stage SEs, while also facilitating the development of successive capabilities, thus benefitting from the IF approach.

Furthermore, the implementation of a mapping guide is recommended to ensure the alignment of existing frameworks, such as the ToC, with the Five Dimensions. It is posited that ToC has the potential to function as a complementary strategic instrument (Expert G). It is therefore suggested that the Five Dimensions represent the initial understanding of impact, with its

multifaceted perspective. Based on this, the ToC can be formulated with a more implementational and strategic view, which guides the pathways from activity to outcome. In this context, IF can assist SE in constructing an impact from scratch and in formulating a strategy based on that.

The combination of the frameworks could also help to address the challenge with the contribution dimension. It is evident that enhancing contribution remains a challenge in the absence of experimental data, as confirmed by the extant literature and the insights of Experts A, D and F. In practice, it is challenging to demonstrate a causal impact due to the necessity of counterfactual thinking, a condition which is frequently impractical for SEs with restricted data. By complementing the Five Dimension with the ToC, SEs can show the link between activities and outcome which helps to isolate impact. Moreover, the dimension should allow the incorporation of more qualitative data gathered by stakeholder feedback, which can also enhance a broader systematic perspective. While this dimension is of significant importance in the measurement of impact, it should be applied subsequently due to its connection to the ToC and the limited resources available.

Based on the Experts interviewed, the ABC Classification has been proven as not suitable for SEs. The underlying logic of this observation is that the labels (ABC) are not beneficial for SEs, as they contribute to a solution that is aligned with their core mission to enhance people's well-being (see 2.1.1). Therefore, it can simply be utilised as a diagnostic tool for SEs, provided they remain "C". This classification is investor-centric, which suggests a lack of willingness to employ it. Furthermore, the ABC classification framework encounters criticism for its subjective nature and the absence of clearly defined criteria, which hinders the comprehension and acceptance of categorisation by SEs. In this context, the evaluation of SEs as a whole has the potential to result in misinterpretations of certain projects, which may be categorised differently and exert varying degrees of impact. Consequently, this may lead to an assessment of an enterprise based on a different category. In order to enhance the applicability of the classification for SEs, it is advised that SEs should focus on implementing ABC at the project level, rather than on an organisational level. While this adjustment could increase its relevance, the interviews suggest that it offers limited value for SEs. Therefore, its use should remain optional, with greater emphasis placed on the Five Dimensions as the core of the framework.

These adjustments have the potential to enhance the IF approach, making it more suitable for SEs in the Portuguese ecosystem. By considering the challenges as outlined by the existing academic literature and the experts in the field, it is possible for IF to fulfil its role in improving internal SIM and communicating impact to investors. The adoption of IF, such as the integration of existing frameworks, adjustments for limited data collection capacities and alignment with SE-specific needs, improves awareness, usability and strategic integration.

5.3 Limitations and Future Research

The study's limitations relate to methodological issues, the adaptation of IF and relevant themes in the social impact ecosystem. It is possible to derive future research from all of these limitations with the objective of deepen the findings and expanding the research question.

The methodology is limited to the sample size, subjectivity in analysis and limited generalisability. Firstly, the number of experts included in the study is limited to eleven. In the interest of enhancing the validity and trustworthiness of future research, it is recommended that the number of interview partners be increased to capture a broader range of stakeholder perspectives. Secondly, the subjectivity of the approach can be highlighted as a potential limitation. The analysis was conducted by a single researcher, which may introduce a degree of subjectivity in the coding process and interpretation. The integration of multiple researchers has been demonstrated to enhance the quality of results (Devotta et al., 2016). Thirdly, the thesis encountered geographical limitations by focusing exclusively on the Portuguese market. This restriction hindered the generalisability of the research across regions. Therefore, expansion of the view on other national contexts is recommended, with initial focus on European countries or consideration of emerging markets.

In terms of the IF approach, the thesis demonstrates certain limitations. It is evident that the interview partners possess varying degrees of knowledge regarding the model. This variation of familiarity complicated the data collection process and the discussion regarding possible adaptations. Moreover, the recently proposed recommendations for adaption remain untested, which presents a theoretical framework that has not yet been empirically validated. Consequently, a case study employing an SE would be advantageous as a pilot version to evaluate the practical efficacy of the IF for SEs. Future studies could apply the adapted model in selected SEs through longitudinal field studies to observe how the model is used and refined over time.

Furthermore, future studies can investigate how the contribution dimension can address its data complexity and determine methods to quantify the measurement process.

Expert E particularly emphasises the field of social investments and highlights the interdependence between the social investment ecosystem and the robustness and comparability of impact evaluation models. This highlights the need for further research into the role of investors in the social impact ecosystem in Portugal and their influence on SEs and SIM. A further question to be addressed is the extent to which investors can support SEs to increase awareness of SIM, provide training and improve impact. Moreover, future research could concentrate on new technological developments and their impact on SIM. The use of cloud platforms and artificial intelligence has the potential to streamline data collection and improve communication (Expert D, G). Subjectivity can be reduced by AI-based decision modelling and the utilisation of data analytics enable SEs to quantify social impact in real time, thereby facilitating the optimisation of resource allocation.

5.4 Theoretical and Practical Implications

Based on stakeholder perceptions within the social impact ecosystem in Portugal, the study enhances the usability and effective application of IF for SEs by considering challenges associated with SIM. The study contributes to the ongoing academic debate on standardisation and customisation of frameworks. It demonstrates the persistence of this trade-off within the SIM process by incorporating a phased and dual reporting approach. While the extant literature has focused on this particular challenge, the thesis identifies further challenges which is the lack of knowledge and understanding of the relevance of SIM. To address this challenge, the approach has been adapted to align with the unique contexts of hybrid organisations and their resource constraints. Furthermore, the findings shift the focus of the literature from existing frameworks such as SROI or ToC towards the IF approach and also points out the potential for establishing a connection between these models. By considering under-researched topics such as stakeholder awareness, investor influence and technological development, the study gives new fields for future research.

In order to derive practical implications, it is important to consider key stakeholders and potential users of IF. For SEs, the thesis findings offer recommendations in terms of the selection and adaptation of SIM models. The combination of a standardised foundation with the opportunity to adapt to context-specifics is highlighted, which helps to overcome current challenges with

SIM. This approach reduces the barriers to start with impact measurement and thereby makes the model more feasible for small or early-stage SEs.
In terms of impact investors, the thesis underscores the significance of the provision of financial and technical assistance to ensure a streamlined SIM process. In order to reduce complexity, it is suggested that investors proactively support SEs to implement a SIM process by establishing a modified IF version as a funding requirement. In this context, the role of consultants and public organisations is essential. They can build a bridge between SEs' capabilities and investors' requirements by offering training and tools tailored to IF and local context.

6 Conclusion

The objective of this thesis is to identify the current challenges associated with SIM and it aims to derive potential adaptations for the IF approach, with a view to measuring the social impact of SEs in Portugal effectively. The initial step in this research involved an extensive analysis of the existing literature. This was followed by the collection of new data, which was then processed using semi-structured interviews.

The main findings begin with the observation that the motivation for SIM primarily comes from external demands, especially from investors. However, after the externally driven implementation of a SIM process, SEs realize the internal value of it. It is evident that literature presents challenges with SIM, such as the tension between standardisation and customisation, resource demand and data collection. The practical insights complement the literature by emphasising the lack of knowledge surrounding SIM and its relevance as the major challenge. This results in a low awareness of IF and increases the need for adaption to the context of SEs.

The implementation of a phased and dual reporting approach can facilitate the fulfilment of external and internal demands. Applying IF helps the establishment of a shared language that fosters effective communication and the raising of funds. By highlighting this advantage, all stakeholders acknowledge the benefits of SIM, thereby enabling investors and consultants to recognise the necessity for training and assistance in measuring impact. To enhance its relevance, the model needs to be adapted to SEs' contexts and make the approach more feasible for SEs with resource constraints. This is a particularly relevant consideration when assessing the contribution of an intervention, given that this dimension presents the greatest challenges. The dimension could be complemented by the well-known framework, ToC, and could incorporate more qualitative indicators and subsequently develop quantitative indicators as their SIM

maturity increases. However, the limitations of the ABC Classification in terms of its usability for SEs must be acknowledged. It is recommended that this classification focuses on a project-level, rather than on an organisational-level. Moreover, the added value of the categories is limited, investors should therefore use this framework optionally and focus on the Five Dimensions.

The thesis contributes to the literature by providing a stakeholder-based adaptation of IF for SEs in Portugal. The adapted IF approach ensures comparability and improved impact by integrating the model into a broader management system. For the purpose of future research, the suggested adaption of the IF approach should be validated in real-world settings and expanded geographically, as well as across a broader stakeholder scope. Furthermore, the investigation of emergent themes, such as impact investing and technological advancements, has the potential to enhance the efficacy of SIM frameworks.

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Appendix A: Interview Guide

Firstly, the purpose of the interview was explained, after which the questions from the interview guide were asked. In cases where further insights were required, specific follow-up questions were posed to the context of the expert. The following interview guide is for an expert who has a background in consultancy.

Introduction

a. Explanation of the research purpose
b. Confidentiality
c. Clarification of the estimated duration and structure of the interview

Section 1: Background & SIM Practices

Goal: Understanding of the expert's role and how their organisation approaches impact measurement

1. Can you briefly introduce yourself and your role at XX?
2. How does XX support clients (especially social enterprises) in social impact measurement?
3. Which impact measurement frameworks, standards, methodologies (SROI, ToC, SBC) do you use or recommend and why?
4. How do you see your clients adapting or customising these frameworks to fit their needs?
5. From your perspective, what are the essential dimensions or elements that a strong impact measurement framework should include?

Section 2: Motivation & Current Challenges in SIM

Goal: Identification how SEs balance internal vs. external motivation. Furthermore, identification of pain points related to standardisation, stakeholder engagement, resources and long-term impact tracking

6. From your perspective, what typically motivates organisations to engage in impact measurement?
    a. How do you see them balance internal learning and strategic use vs. external demands (funders, reporting)?

7. In your experience, What are the most pressing challenges you've observed in implementing effective impact measurement?
8. If you could adapt your framework/approach to better fit social enterprises needs and address the challenges, what changes would you make to make it more actionable and context-sensitive?
9. The extant literature mentioned the lack of standardisation often as a major challenge, do you see the lack of standardisation as a limitation and why?
    a. Are existing frameworks too flexible or too rigid in your view?
10. Next to the challenge of standardisation, is there anything particular what makes is hard to measure? *Diving deeper into specific challenges, if needed*

Section 3: Awareness & Adaptation of the IF

Goal: Exploration whether the Five Dimensions of Impact and ABC Classification are useful for SEs. Identification of potential improvements or adaptations in order to better fit SEs

11. Have you heard of the Impact Frontiers Model before? If yes, what are your impressions? *(Explanation of IF, if needed)*
12. Which of these dimensions do you find most useful or practical? Are there any that you find particularly difficult to apply/measure?
13. Does the ABC-Classification make sense for how you think about an organisation's impact? Why or why not?
14. Do you think the Impact Frontiers Model can help address the current challenges in social impact measurement? Why or why not?
15. If you could adapt this model to better fit social enterprise's needs, what changes would you make?
16. Would you be interested in a more tailored hybrid approach that combines existing frameworks with Impact Frontiers? If so, what key elements should it include?

Closing & Final Thoughts

Goal: Wrapping up and asking the participant to share any final insights

17. Is there anything we haven't covered that you believe is crucial for improving SIM practices in the Portuguese social innovation landscape?
18. "Thank you for your time and insights"

Appendix B: Results Based on Gioia Methodology

Expert ID	First-Order Concepts (Quotes/Terms)	Second-Order Themes	Aggregate Dimensions
C	*"We always start with the theory of change because, it really is the framework that allows us also to structure information."*	ToC as a foundational framework	Current SIM practices and ToC as a common but incomplete tool for impact evaluation.
K	*"So let's start by the theory of change. And then there is a step by step [...] So it's like a starting point for them."*	ToC as a foundational framework	
I	*"Mainly they proposes, the theory of change. 80% of the, the consultancy tell we use the theory of change"*	Widespread use of ToC in Practice	
J	*Theory of Change, that's the one we have, the most developed one or that there are most people feeling comfortable about and knowing something about."*	Widespread use of ToC in Practice	
E	*"Our approach is always tailored to the client's reality. We prioritize co-creation when developing impact evaluation models, working with the client to establish a Theory of Change."*	Customisation of ToC	
I	*"We do the theory of change and then we customise the plan the impact evaluation plan."*	Customisation of ToC	
A	*"I don't feel that theory of change is a methodology to evaluate social impact. [...] You have a framework where you are helped how to think about the process. But the theory change of change itself does not have orientation about how to create, how to measure itself. It's just guidelines"*	Limitations of ToC as a measurement tool	

D	*"We don't have a specific methodology. It will depend on the needs of the clients. We really, adjust, our, the methods on on what they require their size, their needs, their preferences, guiding them, obviously."*	Tailoring methodologies to client needs	Current SIM practices and the use of customised or external frameworks.
A	*"We created a database of the methods, their characteristics, and the indicators that they use… Our model is a weighted average… and we have universal and specific indicators."*	Development of an own approach	
I	*"Was very important to communicate the value of that solution and perceived and real impact. Linked with the investor. So the investor knows that for each euro, you are getting something"*	Using the SROI for impact evaluation	
E	*"Unfortunately, in our experience, impact assessment is often imposed by funders or European incentive programs. [...] However, in most cases, the primary driver remains external requirements."*	Funders and investors require reporting	External motivation as main driver for SIM
B	*"For social organisations it's mostly external to the drive. So yes, investors are asking if you're doing or not your impact evaluation."*	Funders and investors require reporting	
D	*"They are just pushed by their impact investors to do so. [...] It's totally pushed by impact investors or investors in general."*	Top-down pressure from impact investors	
H	*"Usually it's an external motivation. So when we ask, why are you thinking about measuring impact? Now the answer is, well, I have this grant."*	Grant requirements as trigger for measurement	
K	*"In the Portuguese context, for the majority of social organisations, it's more external driven."*	Dominance of External Drivers	

I	*"And we also have the purpose to have internal internalise, our own system of, impact evaluation. So we are very, very interested in that area much more for learning. And training our people"*	Desire to learn and improve services	Internal motivation as a driver of learning-oriented SIM
C	*"And so they are much more for their internal thing in terms of decision making and to validate the impact that they want to achieve."*	Internal strategy and decision-making	
F	*"Doing this exercise also helps you reflect [...] So I think it's really helpful, from an internal perspective."*	Self-reflection through measurement	
H	*"But when they start that path they realise, okay, here it is important data to improve. And then then they want to do that for other projects where that external need or demand doesn't exist. But they realise like they are aware of the importance of, monitoring and evaluating all the developments of a program "*	Self-reflection and internal decision-making	
I	*"I have to understand what is the importance of an impact evaluation. And I have to work the impact. So I have to understand the data, the interpretation and then make adjustments. It's a mindset."*	Lack of relevance and proper mindset	Lack of knowledge and low perceived relevance of SIM
A	*"Because in social organisation you don't have people in the majority of the case with the analytics sensibility. They don't value mathematics. They don't value measurement. They don't value analytic tools."*	Low analytical culture / undervaluing measurement	
G	*"You have to assess the knowledge capacity, the competence capacity, the skill capacity of the ecosystem. Does the social economy in Portugal [...] have management capacity?"*	Conceptual confusion and complexity	

E	*"Lack of internal knowledge and capacity to develop evaluation models."*	Absence of internal expertise	
A	*"And organisations don't give the importance that, social impact measurement tools need to have. So they don't use because they don't feel that is important."*	Lack of seeing relevance	
C	*"It's a difficult thing financially and human resources specific and then specific training in terms of having a specific person doing these type of evaluations, I believe that they should have like one person, at least in each organisation, that only does this for every project"*	Cost of external consultancy	Resource constraints as a barrier to practical implementation
J	*"They are very weak as, as their structure financial structure and human [...] all they have to spend on social impact measurement means quite an effort to them."*	Limited financial and operational capacity for SIM	
H	*"For complex, methodologies, usually they have 1 or 2 persons that, do all the work like operations, human resources, marketing, branding. Usually they call us and, the first year, as is one person."*	Limited human resources	
J	*"But as I don't think in Portugal, we have a strong robust framework of social of impact measurement. "*	Absence of a universal framework	Lack of standardisation
K	*"You cannot just use a template from another organisation or even another project that you have inside your organisation. You cannot just easy plug and play, adapt it and it doesn't work like that. The societal challenges are quite complex."*	Absence of a universal framework	

G	*"If we narrow the framework too much, we will asphyxiate creativity. And we are working in the social innovation field. If we don't narrow it enough, impact assessors will be completely lost "*	Disbalance between standardisation and flexibility	
A	*"There is not not a common definition of social impact. So it's difficult to have a social impact measurement that is universal."* *"So even though we have more than 300 methodologies to measure impact, I felt that none of them fulfilled the characteristics that I felt that are were important"*	Inconsistent definitions and frameworks	
E	*"The volume of collected data often necessitates automated processes for collection, processing, and reporting."*	Organisational requirements	Data collection issues
F	*"It's more difficult to have the numbers, the really straightforward once again. Why? Because of data collection and being consistent in collecting all the data. That's the main challenge."*	Inconsistent data availability	
H	*"We have right now a project we are helping them, with impact measurement. And most part of the people are elderly people. They don't hear very well and they are not technological. "*	Difficulty with specific target groups	
A	*"It gives me a good foundation to assess the impact but not really measure it at the end."*	IF as a guideline	General perception and usefulness of the IF approach
F	*"We are, actually just working in a project that, we had to adapt the imp. That's one of the biggest advantages of this model is that you can customise, to and tailor to the client that you have in front of you."*	Flexibility and adaptability of the model	

B	*"It can also be useful for social organisations, as I said, for communication purposes and to gather arguments for investors."*	Usefulness for strategic communication	
J	*"So these Five Dimension model, it seems to me very straightforward and very clear. And so I believe in this communication, in this outer communication and in the dialogue with, with stakeholders, it can be quite clear and quite useful in that sense."*	Enhancing stakeholder communication	
F	*"The contribution, which is in my view the more challenging dimension of the five [...] it's really hard to isolate the outcome that eventually happened."*	Difficulty in isolating Impact	Difficulty of measuring contribution and isolating impact
A	*"How you can attribute the causality like this happens because of the action of this organisation is one of the biggest challenges. And in theory everyone agrees with the control group. In practice, I would like to know how to solve this problem."*	Impracticality of control groups in real-world settings	
K	*"Actually I cannot prove the causality between my intervention and the end result because so many other stakeholders intervene in that same person at the same time [...] It feels a bit like a rat race."*	Complexity of multi-stakeholder environments	
C	*"It's demanding and it's like one size fits all. So we need to, to adapt it a little bit. But and I think that it's also very cool because it has an investor perspective and an investor perspective"*	Misalignment with SE realities	Tension between rigour and feasibility
D	*"I depends on the implementation. It's tough. So that's why I think that I will apply the Impact Frontiers model to more structured enterprises."*	Implementation barriers due to capacity constraints	

D	*"But now they have ten risks. Yes. It's just too much. Yeah. So that plus all the details and you're not going to go indicator by indicator"*	Overcomplexity of risk dimension	
B	*"Well, it's rigid. And we try to respect the model, so that it's really applicable the same way for everyone. But we do feel that barrier sometimes because we don't have that much information or the information does not have all the quality that we needed."*	Rigidity as barrier to apply IF	
K	*I think that what we are missing actually is the systems thinking. Because you might be a contributor to the solution, but you might also be causing negative externalities and other types of consequences that are not being measured.*	Neglecting of systemic effects	Limitations of ABC classification
B	*"But we don't really use it directly for social organisations. I haven't found that it's very useful for them to know where they are in terms of this ABC Classification. For me, it's more of, an investment language that is useful for investors."*	Limited usefulness of ABC Classification for SE	
D	*"It's quite straightforward in the sense that if you're a social enterprise, then you're a C, you contribute to a solution."*	Oversimplification of complex impact realities	