Measurement of the negative social impact of a small enterprise

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The chapter DOI: 10.4324/9781003480952-4
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Introduction

The social impact of various organizations is frequently discussed in academic discourse (Husted & Salazar, 2006; Kent & Dacin, 2013; Rawhouser et al., 2019). The SME sector is also a significant subject of exploration regarding this impact. Social impact is indeed an important element in the analysis of the social entrepreneurship phenomenon (Lumpkin et al., 2013; Dacin et al., 2017). From this perspective, it can also be considered in the context of implementing the CSR concept.

A critical literature review on corporate social responsibility authorizes the conclusion that one of its current research areas is the effects of socially responsible corporate activities, encompassing negative effects (Carroll & Brown, 2018) and their associated consequences. Thus, the importance of systematic and multidimensional internal and external evaluation of companies’ social activity and responsibility is growing (Jankalova & Jankal, 2017). This assessment is particularly challenging because it involves a sphere that is not easily quantifiable due to the immateriality, dynamism, and complexity of the subjects and objects of assessment. The concept of social irresponsibility, as part of CSR implementation or as a separate concept, which can be supported by the assumptions of social impact and the principles of its measurement, responds indirectly to this challenge. The new category of social impact is concerned with its negative facet (i.e., the negative consequences of companies’ actions).

Measuring social impact arises from different needs and benefits for researchers and practitioners. Researchers find it important to analyze multidimensional phenomena and their consequences to better understand the mechanisms leading to a particular outcome. For practitioners, on the other hand, the effectiveness and efficiency of implemented activities are crucial, and impact measurement is used to formulate recommendations for future improvements (Grabowska & Wójcik, 2021).

Despite many scientific studies and practical activities indicating the need to measure social impact, there is a lack of studies in the literature combining
the issue of measuring social impact, particularly negative social impact, with the concept of social irresponsibility concerning the specifics of small business operations (Jenkins, 2009; Kromjong et al., 2016; Madueño et al., 2016). Therefore, there is a need to recognize the challenges and formulate methodological assumptions for measuring the negative social impact of small businesses.

Due to a significant research gap in the subject matter, it is worth considering several issues in the research areas, including:

- How can the concept of negative social impact be defined from the perspective of social irresponsibility?
- Is there specificity in measuring the negative social impact of a small enterprise?
- What selected features and elements can be identified as specific to measuring the negative social impact of a small enterprise?
- What challenges do researchers and managers encounter when measuring the negative social impact of a small enterprise?

The purpose of the conceptual chapter is to characterize the concept of negative social impact from the perspective of social irresponsibility and to identify challenges and preliminary selected methodological assumptions for measuring the negative social impact of a small enterprise.

**Methods**

The chapter presents the results of the literature review, along with selected findings and conclusions from the empirical research. Through a critical, narrative review of the literature and specific results from our empirical research, we were able to develop preliminary terminological and conceptual insights regarding the concept of negative social impact from the perspective of social irresponsibility. This included specifics on measuring the negative social impact of a small enterprise and a description of the challenges, along with preliminary methodological assumptions for measuring the negative social impact of a small enterprise for researchers and managers.

The author conducted both quantitative and qualitative research between September to November 2020 (quantitative) and August 2020 to December 2021 (qualitative) on a purposively selected sample of 78 small Polish enterprises, including microenterprises. The purposive sampling was designed for the selection of enterprises meeting specific criteria: (1) the criterion for the number of employees was related to the employment of up to 50 people by the surveyed enterprise during the research period, including microenterprises with up to ten employees; (2) the activity criterion required active participation in business activities, both in a formal and literal sense; (3) the independence criterion pertained to the economic activity of the enterprise. Hence, capital and
organizational subsidiaries, being part of larger organizations or operating in networks (subsidiaries, related and partner enterprises), were excluded from the selection process; (4) the substantive criterion focused on distinguishing specific features in the assessed enterprise, highlighting its socially responsible nature. For instance, this included enterprises presenting good practices in Responsible Business Forum reports, inclusion in the list of Fair Play companies, participation in CSR Good Practice Fairs, and identification of manifestations of social responsibility management. This criterion was applied to gauge entrepreneurs’ awareness of processes related to social responsibility and, by assumption, social irresponsibility.

The research aims to identify the conditions and elements involved in the process of recognizing selected manifestations of social irresponsibility within small enterprises. Additionally, the study delves into selected manifestations of negative social impact. Various methods were employed, including extensive survey questionnaires (distributed—depending on preference—via traditional mail, email, or in person) and interview questionnaires. These interviews were conducted with owner–managers and/or managers, along with selected stakeholder groups such as employees and customers. This pilot study utilized a purposive sample selection process based on the criteria outlined above. The research included questions related to manifestations of social irresponsibility (quantitative research) and specific socially irresponsible activities (qualitative research). The inquiry explored the negative impact of the surveyed enterprises on both internal and external stakeholders, along with the consequences associated with negative social impact.

Given that social impact was not the sole focus of the research, the study refrained from using indicator analyses (e.g., ESG, GRI, B Impact Assessment, GPM P5 Standard, ISO 26000) or specific social impact measurement methodologies (SIIT, 2014; Rawhouser et al., 2019). In addressing a significant research gap, such an approach represents an endeavor seeking a distinct measurement perspective within the specific environment of a small business.

**Results and discussion**

*Negative social impact—An attempt to define the concept from the perspective of social irresponsibility*

The concept of social impact is inherently ambiguous and multidimensional, encompassing a wide spectrum of potential changes resulting from specific actions. The diversity in terminology and contexts leads to varied interpretations. According to Rawhouser et al. (2019), the literature conceptualizes social impact using multiple terms. Additionally, social impact has been a subject of study in various domains, including economics, management, education, health care, environmental sustainability, and poverty, among others (Grabowska & Wójcik, 2021).
The diversity and multidirectional considerations inherent in the interdisciplinary concept of social impact necessitate the selection of the most comprehensive definition. Building on Stephan et al. (2016), the chapter assumes that social impact refers to the beneficial outcomes resulting from prosocial behavior, experienced by the intended targets of that behavior and/or the broader community of individuals, organizations, and environments. This definition is sufficiently comprehensive to encompass the most current approaches in social impact research, acknowledging that social impact often involves different conceptual constructs, phenomena, or target groups (Grabowska & Wójcik, 2021, p. 22).

An important consideration in understanding social impact is the dual nature of the changes it brings about—both positive and negative. While in many instances, social impact is defined as a force leading to positive social change (Santos, 2012; Stephan et al., 2016), it is also acknowledged as a reducer of negative phenomena (Bartling et al., 2015). Grabowska and Wójcik (2021) note that numerous studies explore the positive and negative social impact of various phenomena or activities (Rawhouser et al., 2019). This combined analytical approach, defining social impact as a synthesis of positive and negative effects, is evident in research on social performance. The impact of human actions on a diverse range of stakeholders and the lasting effects of actions—both positive and negative—are recognized as fundamental aspects of social impact.

These features are integral to the realization of the concept of corporate social responsibility (Dillenburg et al., 2003; Rawhouser et al., 2019). This stands as one of several concepts—alongside, for example, the concepts of sustainable development, social capital, or organizational balance—focused on the issue of social impact.

An extension of the CSR concept, emphasizing the effectiveness of socially responsible activities, is the concept of corporate social performance (Wood, 2010; Carrol & Brown, 2018), which involves observing changes related to social impact. Effective study and management of an enterprise’s socially responsible activities can only be completed by identifying socially irresponsible activities. For this reason, negative social impact can also be considered in conjunction with corporate social irresponsibility. It can be viewed both as an element of CSR implementation or a separate concept, which can be supported by the assumptions of social impact and the principles of its measurement.

In this chapter, social irresponsibility is understood as the lack of or insufficient economic, legal, ethical, and philanthropic commitment of the company to internal and external entities/stakeholders (Sokołowska-Durkalec, 2020). The a priori implementation by companies of negative assumptions of social irresponsibility also implies a negative impact on stakeholders, the dimensions and scope of which require exploration. The negative impact, in this sense, is a new framing of the issue and will mean the negative consequences of a company’s intentional or unintentional activities in the economic, legal, ethical, and philanthropic areas for internal and external stakeholders. The specificity of the
negative impact, like the specificity of socially irresponsible actions, is derived from several internal and external conditions, with the size of the company being one of the important ones. The definition and components of negative impact, negative consequences, and areas require detailed descriptions. An essential part of this description is the issue of measuring social impact.

Of paramount importance is the recognition of the relationship between negative impact and social irresponsibility. These two categories are complementary, substantively enriching each other, drawing, for example, from stakeholder theory, but they can also be disconnected, especially when describing the process and outcome of socially irresponsible actions and their associated impact. According to Clark et al. (2021), social irresponsibility entails studying the decision-making process and all stages of irresponsible action, including manifestations. Negative social impact, on the other hand, places a greater focus on the effect that negative actions bring. The fusion of these two concepts is mutually beneficial. In the concept of social irresponsibility, the stage of the result can be given more prominence, especially with the utilization of multiple concepts of social impact (e.g., social value (Moss et al., 2011; Santos, 2012), social performance (Husted & Salazar, 2006; Mair & Marti, 2006; Nicholls, 2008), social returns, and social return on investment (Emerson, 2003; Hall et al., 2015)), with a strong emphasis on measurement (e.g., social accounting (Nicholls, 2008), measurement methodologies). In the concept of social impact, in addition to incorporating elements of CSR (Jankalova & Jankal, 2017), CSP (Wood, 2010), or the impact value chain (Maas & Liket, 2011; SIIT, 2014; Dufour, 2019; Grabowska & Wójcik, 2021), it becomes imperative to enrich the consideration of the issue, for example, from the perspective of the classical view of the areas of social irresponsibility: economic, legal, ethical, philanthropic, and their impact on stakeholders.

**Specifics for measuring the negative social impact of a small enterprise**

The measurement of social impact depends on various factors, with the size of the company being one such factor (Dacin et al., 2017), along with the associated social relationships. Methodologies for measuring social impact are generally universal (aimed at all types of organizations) and encompass non-financial reporting methodologies (including, but not limited to, social accounting, financial reporting expanded to include the social dimension, and integrated reporting), as proposed by formalized systems for managing and reporting social activities. In an integrated and comprehensive approach to social impact measurement, the process comprises four phases: planning (including setting goals, methodology, and selecting indicators), executing (collecting and checking data), measuring (conducting data analysis), and revising (reporting results and making decisions based on the data) (SIIT, 2014). Selected social measurement tools include ESG, GRI, B Impact Assessment, GPM P5 Standard, among others (Rawhouser et al., 2019).
However, the assumed universality of the synthetically presented instrumentation is not always straightforward (Lumpkin et al., 2013) because there are areas of measurement in the proposals that are not suitable for the activities of small businesses, for example, elements of corporate governance or elaborate strategic management processes.

The specificity of the negative social impact of a small enterprise is attributed to the peculiarities of the activities of this group of enterprises, as well as the consideration of the negative consequences of actions from the perspective of the social irresponsibility of the enterprise. The distinctive features of the activities of a small enterprise, stemming from its territorial, economic, social, and psychological proximity to the market, as well as its special relations with stakeholders (Udayasankar, 2008), require consideration in research and management practice regarding the negative impact and its measurement. Although a complete description of a small enterprise in this area would necessitate identifying the specifics of the social impact of large and medium-sized enterprises and its measurement, it is prudent to acknowledge that the negative impact of a small enterprise and its measurement, from the perspective of social irresponsibility, is characterized by several key features.

The decision on whether to measure negative social impact is entirely up to the entrepreneur, who assesses the associated benefits or losses. Among the small business owners surveyed by the author of the chapter, 84% associate with the term ‘social impact,’ but only 7% are familiar with ‘negative social impact.’

With systematic measurement and knowledge, the benefits and costs of measurement become apparent. Only 9% of respondents recognize the potential advantages of measuring negative impact. The most popular benefit is enhancing the communication and image capabilities of the organization (i.e., presenting measurable and objective data to the public about the impact on social reality). Respondents also highlight improvements in the quality of services provided, increased motivation of internal stakeholders, better strategic planning, more effective management, elimination of ineffective operational elements, and improved financial management. However, concerns exist about revealing inconvenient, compromising data and the impact on stakeholders’ perceptions of the company and their understanding of how to measure it.

Many small business owners are usually unfamiliar with and fearful of measuring negative social impact due to the complexity of the procedures. The chapter’s author inquired with small business owners about their practices in measuring negative social impact. If they do measure it, is it a formalized process (utilizing methodologies and metrics from, for example, ESG, GRI, B Impact Assessment, GPM P5 Standard, and ISO 26000), or is it non-formalized? According to more than 95% of respondents, they currently do not find the need to measure this dimension of their business professionally. Instead, they focus on identifying only certain selected elements, primarily manifestations of social irresponsibility, in the following areas: economic and legal, much less frequently:
ethical and philanthropic. Entrepreneurs see no justification for measuring the consequences of negative social impact.

The author also inquired with entrepreneurs about specific activities related to social influence. For instance, in what areas of the implementation of the personnel function do you sometimes influence/engage in socially irresponsible behavior? What are the consequences of these socially irresponsible actions and their negative impact on employees? Respondents most frequently pointed to compensation and employee development, demonstrating a heightened awareness of the legal and ethical consequences of such actions. Conversely, when employees were asked about areas where their employer acts socially irresponsible or negatively in the implementation of the personnel function, their responses aligned with those of their superiors. However, discrepancies arose regarding the consequences of the employer’s influence on their work, primarily related to the economic dimension. Similar inquiries were made about relations with other stakeholders.

The above list of selected characteristics does not cover all possibilities in this regard and presents some key challenges in measuring negative social impact for researchers and managers of small businesses.

Identifying the challenges of measuring the negative social impact of a small business from a researcher’s and manager’s perspective

The study of negative social impact poses numerous difficulties. The initial theoretical challenge lies in the complexity of operationalizing the social change one wishes to capture. In practice, the methodologies under development constitute a compromise between what can realistically be measured and the most accurate indicators. Often, extensive qualitative data are necessary, while, for practical reasons, only quantitative data are available. Resolving these dilemmas is crucial to ensure that measurement is more than a bureaucratic ‘ticking a box on a questionnaire’ but contributes to understanding how a project generates social change and how it can improve further (Grabowska & Wójcik, 2021).

Precision and consistency in understanding the concept of ‘negative social impact’ and related elements or concepts (e.g., social value, social return) are required. It is also essential to select the concept (e.g., corporate social responsibility, corporate social irresponsibility) through whose prism (in connection with which) social impact will be identified and evaluated.

What is needed is a methodologically sound, multi-step measurement procedure that considers the multifaceted nature of the issues and the complexity of situational contexts for the entities under study (companies, their stakeholders, the course of action, and their effects). Covin and Wales (2012) argue that researchers can choose the measurement approach that best serves their research goals, recognizing that (aggregated) versus (disaggregated) models for measuring social influence are consistent with fundamentally different conceptualizations of the construct. The study of negative social impact (as well as
manifestations of social irresponsibility) can present challenges due to the reluctance of respondents (owners, managers, and other stakeholders) to disclose dysfunctions, inadequacies, difficulties, and irrational, unethical, and illegal actions.

Difficulties related to the objectification of research can be alleviated by opting for triangulation of research approaches (e.g., quantitative and qualitative), methods, and research tools. Also important is the selection of direct research methods and the design of research tools, ensuring effective communication with respondents through understandable content. It is necessary to describe complex scientific categories using explanations in understandable, accessible language. It is also important to establish a precise and detailed plan for the various stages of direct research and to agree on it with entrepreneurs (small business owners typically have limited time due to their numerous organizational roles and responsibilities).

Enriching the measurement of social influence can be achieved by examining the attitudes of entrepreneurs and managers toward social influence and its negative aspects. An important element here is the intentionality of actions as a usually unconscious phenomenon, as a realized area of business activity, and an important element of the management concept, which can have its practical dimension. This can lead to a discussion of a potential gradation of conscious and irresponsible influence on social affairs. The intentions behind specific behaviors can impose a particular direction, content, and course of events. However, good intentions will not always guarantee positive action and outcomes. Conversely, an unsuccessful outcome may not necessarily result from bad intentions. The question of subjective and objective intentions and the specific conditions strongly associated with them remains.

Another important aspect is the rule of reciprocity, which, in the face of negative social impact, can result in the loss of key stakeholders, severe disruption in the construction of relational capital, and the escalation of negative social phenomena. Including this aspect in the research serves as a valuable signal of the potential negative consequences of entrepreneurs’ irresponsible actions.

In addition to conceptual and theoretical challenges, social impact measurement generates various practical challenges. Implementing an evaluation of this kind is impossible without dedicating adequate resources and integrating the measurement processes into existing organizational procedures (Grabowska & Wójcik, 2021). The measurement can pose challenges for managers. A significant problem is insufficient knowledge of social impact issues and the methods for measuring them, an area where businesses should invest in improvement.

The challenge for managers is to grapple with the key features characterizing the social impact measurement process, including immeasurability (measurement cannot be performed, e.g., due to the unavailability of data), uneconomic (the cost of measurement is inadequately high concerning the benefits obtained), incompleteness (selected indicators do not allow reproducing the overall process of change), and irrelevance—the collected data are not helpful for actual
decision-making. Thus, the use of high-quality measurement methodologies/tools that consider both positive and negative social impact is required. A key challenge is to mitigate the over-economization of the social impact measurement process. This is because much of the movement is supported by investors operating primarily from an economic perspective, and entrepreneurs expect rapid results. Additional challenges include defining the desired impact, determining the data to be collected and the methodology to be employed, acquiring adequate data, verification (e.g., by comparing data from different sources), analyzing the data with respect to achieving the objectives, presenting the results to stakeholders, deciding on operational changes, considering feedback from stakeholders, etc.

Conclusion

Based on the considerations presented in the chapter, one can cautiously conclude that there is specificity in measuring the negative social impact of a small enterprise when studying the manifestations of social irresponsibility in this group. Such a conclusion is drawn from a limited set of characteristics and a purposefully selected sample of enterprises, primarily chosen due to their awareness of the need to manage social responsibility. The maturity of measuring a small enterprise’s social impact, including its negative aspects, is at a very early stage. This holds true from the perspective of researchers, who rarely address this issue in their publications, and entrepreneurs. Consequently, numerous challenges are associated with the measurement process.

Due to the limited scope of the chapter, the author presents only selected theoretical, methodological, and practical aspects related to the issue at hand. Despite the extensive multi-stage (preliminary and two-stage surveys, in actuality) and multidimensional (involving entrepreneurs and other stakeholders) research process, a significant limitation is the small sample of subjects. Consequently, the conclusions can only be generalized to this group of enterprises. Directions for future research include the need to delineate precise relationships between the negative social impact of small businesses, their manifestations and areas of social irresponsibility, and the consequences of these relationships for the measurement process, along with the need to expand the research sample.

Notes

1 An analysis of the resources of the electronic databases Web of Science and Scopus (as well as Google Scholar—including the so-called ‘grey literature’) for English-language articles, books, and conference proceedings on the measurement of the social impact of small businesses (search terms: measurement of social impact SME, measurement of the social impact small business) indicates their relatively small number. From 2000 to December 2022, only 16 items were published. Moreover, they mainly referred to indirect areas of social impact (mainly CSR results) and the social irresponsibility of small businesses (corruption, unethical behaviors).
Small enterprises included in the research sample represented 14 out of the 16 Polish voivodships.

Owing to the limited scope of the chapter, a detailed description of the research sample was omitted.

References


