

Improving the good in good organizations: the potential value of social impact assessment for social enterprises

Social impact
assessment

Memduh Eren Giderler

*Urban and Regional Studies Institute, Faculty of Spatial Sciences,
University of Groningen, Groningen, The Netherlands and
Department of Business Administration, Faculty of Political Sciences,
Social Sciences University of Ankara, Ankara, Turkey, and*

Frank Vanclay

Faculty of Spatial Sciences, University of Groningen, Groningen, The Netherlands

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Abstract

Purpose – Social enterprises are not generally aware that they might create negative social impacts on local communities. This paper aims to inform social enterprise scholars and practitioners about the potential value of the field of Social Impact Assessment in managing the negative impacts of social enterprises on beneficiaries, local communities and other rightsholders and stakeholders.

Design/methodology/approach – This is a conceptual paper.

Findings – The authors discuss the key things that could assist social entrepreneurs in assessing their social impacts, negative as well as positive, unintended as well as intended. Social enterprises might: use a human rights-based approach and undertake due diligence; implement a grievance redress mechanism; obtain free, prior and informed consent; consider their ongoing social licence to operate; and implement benefit sharing programs. Doing all this would improve the social outcomes from their activities and contribute to socially sustainable development.

Originality/value – Although social enterprises seek sustainable solutions to social problems and are described as “do good organizations”, there is an assumption (myth) that social enterprises only have positive impacts. This paper argues that social enterprises can also cause negative social impacts, especially where processes to consider potential for harm are absent. Therefore, social enterprises need a way to assess and manage potential negative social impacts and enhance the social outcomes from their activities. The authors argue that learnings from the field of Social Impact Assessment (as codified by the International Association for Impact Assessment) should be brought into the social entrepreneurship discourse.

Keywords Social impact assessment, Social performance, Human rights due diligence, Human rights impact assessment, Social entrepreneurship, Social enterprises, Social sustainability, Sustainable development, Benefit sharing, Grievance mechanism, Social investment, Social license to operate

Paper type Conceptual paper

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Introduction

Despite good intentions, not every activity or planned intervention will necessarily always result in positive social outcomes, and sometimes harm may arise, even if inadvertent (Vanclay, 2015). Worse, sometimes negative impacts are knowingly created, even potentially when there is a presumption of doing good. These fundamental realities apply to all organizations (public and private, for profit and not for profit), including social enterprises. Arguably, an assumption exists that social enterprises only do good, yet social enterprises can also create harm, usually unintentionally although sometimes deliberately. Therefore, it can be argued that some mechanism for the *ex ante* and *ex post* assessment and management of the (potential) negative and positive social impacts of social enterprises is needed (McBrearty, 2007; Talmage *et al.*, 2019). Conceivably, the need for such a mechanism is greater for social enterprises than for other types of organizations because the intended beneficiaries of social enterprises are usually vulnerable groups of people, including children, the elderly, Indigenous peoples, minorities, migrants and refugees, all of whom typically have less resilience and resources than other sections of the population, and are more likely to be affected by any harm that might be created by the activities of social enterprises. In this conceptual paper, we advocate that the field of Social Impact Assessment (SIA), as is well established in relation to large infrastructure projects (Esteves *et al.*, 2012; Vanclay *et al.*, 2015), would be a useful tool to assist social enterprises in analysing, monitoring and managing the intended and unintended social consequences of their activities.

Unfortunately, the terms “social impact” and “social impact assessment” are used in different ways in different discourses (Vanclay, 2020, 2024a; Vanclay and Esteves, 2024). In the field of social entrepreneurship, “social impact” generally refers to the “beneficial outcomes resulting from prosocial behavior that are enjoyed by the intended targets of that behavior and/or by the broader community of individuals, organizations, and/or environments” (Rawhouser *et al.*, 2019, p. 83). Typically, social impacts are regarded as being those intended positive outcomes that are directly linked to the objectives of the social enterprise (Seanor and Meaton, 2008; Fowler *et al.*, 2019). This understanding is quite different to the understanding of social impacts in the field of SIA as codified by the International Association for Impact Assessment (IAIA) (Vanclay, 2003; Esteves *et al.*, 2012; Vanclay *et al.*, 2015), where the concept of “social impacts” refers equally (if not more so) to the unintended outcomes and negative social consequences and human rights concerns arising from organizations and projects. In this paper, we engage with the IAIA discourse and bring this IAIA field of SIA into the realm of social entrepreneurship. We believe that such a connection would be very useful to the field of social entrepreneurship and that the use of SIA would be valuable for social enterprises.

In the field of social entrepreneurship, other than some concern about corruption, misuse of funds or distortion in the selection of beneficiaries, there is only limited awareness that social enterprises might cause negative social impacts (Dey and Steyaert, 2016; Haski-Leventhal and Mehra, 2016; Talmage *et al.*, 2019; Molderez and Fets, 2023; Mohiuddin and Yasin, 2023). However, in the field of SIA, it is well understood that all projects (big and small) can cause negative as well as positive social impacts (Vanclay, 2002, 2012), and that all projects, including those that intend to do good, need to obtain a “social licence to operate” (Jijelava and Vanclay, 2014; Vanclay, 2017a; Chen and Vanclay, 2023). Furthermore, the field of SIA uses a raft of social science and human rights concepts, which collectively assist in contributing to sustainable development. The continuing lack of awareness in the field of social entrepreneurship of SIA and its underlying concepts is surprising, especially given that the United Nations (2011) has endorsed the *Guiding*

Principles on Business and Human Rights (UNGP), which apply to all organizations, including social enterprises and small-to-medium enterprises. In addition to being a process of identifying the social issues associated with a project, the field of SIA has emerged as a procedure to consider human rights issues and social impacts in a manner consistent with international standards and expectations (Götzmann *et al.*, 2016; Esteves *et al.*, 2017; Vanclay and Hanna, 2019). Therefore, it is clear that the field of social entrepreneurship should engage with the field of SIA.

SIA provides an overarching process to analyse, monitor and manage the social impacts experienced by host communities that arise from small, medium and large-scale projects. Such projects include things such as the construction and operation of airports, seaports (harbours), dams, waterways, highways, tunnels, bridges, power plants, factories, hotels, mines, windfarms and solarfarms, just to mention a few. These projects and their associated facilities, such as worker accommodation camps, project roads, transmission lines, quarries and borrow-pits, are known to create many negative social and environmental impacts (Vanclay, 2002, 2024a). In many sectors and countries, there is a regulatory system that requires an Environmental and Social Impact Assessment (ESIA) to be done, and/or there may be a culture of undertaking ESIs and implementing the findings. However, in the field of social entrepreneurship, there is a presumption that no negative social impacts will be created, there is limited regulatory oversight, and no culture of thinking about possible harms. Consequently, despite their do-good intention, many social enterprises actually do cause negative social impacts, even if inadvertent (Haski-Leventhal and Mehra, 2016; Talmage *et al.*, 2019). Therefore, the use of SIA by social enterprises would be highly desirable and would assist them in achieving their mission and in contributing to the sustainable development goals.

The field of social impact assessment

Apart from the IAIA discourse discussed in this paper, there are some competing and conflicting discourses around the concept of “social impact assessment” (SIA) (Vanclay, 2020, 2024a) leading to much confusion (Musinguzi *et al.*, 2023). For example, one discourse is related to the quantitative measurement of the social returns from investment by philanthropic organizations (Nicholls *et al.*, 2009). In other words, measuring the positive outcomes from their grants. In contrast, this paper is based on the predominant SIA discourse, an *ex ante* and *ex post* assessment that considers the negative as well as positive social impacts that might be created by projects, and which seeks to manage these impacts more effectively by mitigating harms and enhancing benefits (Vanclay *et al.*, 2015). We deliberately avoid discussion of “impact measurement” because a wide range of social impacts, intangible as well as tangible, can be created (Vanclay, 2002), and the purpose of SIA in the IAIA discourse is to better manage the impacts rather than only to measure them (Vanclay, 2012). Many of the possible social impacts (especially the negative ones) are non-fungible, intangible and frequently not measurable (Vanclay, 2002; Molecke and Pinkse, 2017).

The IAIA field of SIA emerged as a complementary field to environmental impact assessment (EIA) in the early 1970s (Burdge and Vanclay, 1996; Vanclay, 2020). It has developed over its 50 years, evolving into a comprehensive approach for identifying and managing the social impacts from projects (Vanclay, 2003; Esteves *et al.*, 2012; Vanclay *et al.*, 2015; Vanclay, 2024a). Since 2003, SIA has generally been defined by the International Association for Impact Assessment as being: “the processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes

invoked by those interventions” (Vanclay, 2003, p. 6). This definition was reconfirmed in the 2015 International Guidance on Social Impact Assessment (Vanclay *et al.*, 2015).

Some key features of the IAIA understanding of SIA are that: SIA is a process that encompasses the entire project lifecycle from start to finish, as opposed to being limited to a single point-in-time assessment. It is both *ex ante* (in advance of the project) and *ex post* (after the project). SIA incorporates the analysis, monitoring and management of impacts, in other words, the mitigation of harm and the enhancement of project benefits. In the IAIA discourse, social impacts can be negative as well as positive, and intended or unintended. Social impacts are considered to be everything that affect people (Vanclay, 2002, 2012). SIA is an applied and practical approach, and actively contributes to project development and implementation, for example by contributing to project siting decisions and providing suggestions for mitigation of impacts and enhancement of benefits to local or host communities (Vanclay, 2003; Esteves *et al.*, 2012; Vanclay *et al.*, 2015).

According to the International Principles for Social Impact Assessment (Vanclay, 2003), the concept of “social impacts” includes all issues arising from projects that may directly or indirectly affect individuals or communities, including all cumulative impacts. Social impacts can occur in corporeal (physical), cognitive (perceptual) and affective (emotional) ways (Vanclay, 2002, 2024a; Edelstein and Vanclay, 2024). They occur at different scales or levels, such as the individual, family, household, social group, an organization or business entity and society in general (Vanclay, 2002). Vanclay (2003, p. 8) considered that a useful heuristic for thinking about the social impacts that might arise from a planned intervention was as impacts on one or more of the following:

- people’s way of life – that is, how they live, work, play and interact with one another on a day-to-day basis;
- their culture – that is, their shared beliefs, customs, values and language or dialect;
- their community – its cohesion, stability, character, services and facilities;
- their political systems – the extent to which people are able to participate in decisions that affect their lives, the level of democratization that is taking place, and the resources provided for this purpose;
- their environment – the quality of the air and water people use; the availability and quality of the food they eat; the level of hazard or risk, dust and noise they are exposed to; the adequacy of sanitation, their physical safety and their access to and control over resources;
- their health and well-being – health is a state of complete physical, mental, social and spiritual well-being and not merely the absence of disease or infirmity;
- their personal and property rights – particularly whether people are economically affected, or experience personal disadvantage which may include a violation of their civil liberties; and
- their fears and aspirations – their perceptions about their safety, their fears about the future of their community and their aspirations for their future and the future of their children.

A useful approach to use in considering the social impacts from a project or activity is the “Social Framework for Projects” (Smyth and Vanclay, 2017). The Social Framework is based around eight key categories of impacts that affect people’s well-being: people; community; culture; livelihoods; infrastructure; housing; environment; and land (Figure 1).



Source: Smyth and Vanclay (2017, p.74) (used with permission)

Figure 1.
The social framework
for projects

Although SIA is a discourse, it is also a process of assessment that can be required by international standards and/or by the national legislation of many countries (Vanclay and Hanna, 2019). The standard way of applying SIA is as 26 tasks across 4 overlapping, iterative and ongoing phases (Figure 2). In the first phase, a full understanding of the project is obtained, the national laws and international standards that apply are established, and a brief overview of the social context of the project is developed. In the second phase, the possible social impacts (direct, indirect, cumulative, negative and positive, intended and unintended) are identified, and project alternatives are considered. How the affected groups will respond to potential social impacts is determined. In addition to assessing project alternatives, the possibility of cancelling the project should also be considered. In the third phase, a Social Impact Management Plan and Social Performance Plan are developed. Furthermore, an Impacts and Benefits Agreement and grievance redress mechanism should be established. The SIA process should be treated as an ongoing process of adaptive management rather than as being a static once-off task. In the fourth phase, the methods, indicators and governance process related to monitoring should be developed and implemented (Vanclay *et al.*, 2015).

There are several ways by which social enterprises are likely to benefit from using SIA. Most significantly, SIA will assist in reducing any harm that might arise from their activities, and it will increase the likelihood of achieving the intended social outcomes. Because of the increased transparency and professionalism that comes from using SIA, a secondary benefit is increased legitimacy, especially in the eyes of potential donors and project partners. This will also assist social enterprises to scale-up, gain competitive advantage, and in achieving their mission. Finally, it will assist them in meeting the increasing expectation of stakeholders that all organizations (including social enterprises) should implement SIA, respect human rights and observe international standards (Vanclay and Hanna, 2019).



Figure 2.
The four phases of
SIA

Source: Vanclay *et al.*, 2015, p.6 (used with permission)

Key aspects of the social impact assessment approach that social enterprises might consider

The IAIA field of SIA is comprehensive and incorporates a broad range of concepts, methods and tools that are relevant to understanding the negative and positive social impacts created by projects or an organization’s operations (Vanclay *et al.*, 2015). Below, we outline some expected strategies from this SIA discourse that are likely to be relevant and useful to social enterprises.

Use a human rights-based approach and undertake due diligence

Respect for human rights is a core aspect of the SIA field (Vanclay, 2003; Kemp and Vanclay, 2013; Götzmann *et al.*, 2016; Esteves *et al.*, 2017; van der Ploeg and Vanclay, 2017). Developers of any type of project should not implement their projects in any way that would impair human rights, and all organizations are expected to fully respect and be prepared to address human rights issues that might arise in their supply chains (United Nations, 2011). Human rights “are widely accepted as being generally agreed values and exist to ensure human dignity and the fulfilment of basic human needs” (van der Ploeg and Vanclay, 2017, p. 35). Human rights ensure the inherent dignity and equal worth of all human beings, and are universal, indivisible and interdependent (United Nations, 1948).

With the endorsement of the *United Nations Guiding Principles on Business and Human Rights* (UNGPR) in 2011, the obligation to respect human rights became firmly established as a fundamental responsibility of all organizations (United Nations, 2011; Ruggie, 2013) and is being implemented into law in many jurisdictions. The concept of “due diligence” was also

introduced and organizations are now expected to “know and show” how they implement respect for human rights, rather than being “named and shamed” for a failure to do so (Kemp and Vanclay, 2013). Due diligence is a process of continuous improvement around how an organization demonstrates respect for human rights, and comprises: assessing the consequences of the organization’s actions on human rights; integrating the findings of this assessment into their management system; and sharing the results of this process with all stakeholders (Götzmann, 2019).

Social enterprises can affect human rights, either negatively in the sense that their actions and activities might impair people’s enjoyment of human rights or positively in the sense that their actions and activities might increase people’s access to their rights. A selection of human rights that are likely to be relevant to the practices and activities of social enterprises are discussed in Table 1. Table 2 provides a list of some key documents that outline the rights of various specific groups of people. It is important to realize that, despite being mission-driven, social enterprises are organizations that must conform with international human rights standards, both in relation to their internal procedures (e.g. employment and working conditions) as well as with respect to their mission-oriented actions (United Nations, 2011). Human rights considerations apply to employees, volunteers, people who are directly affected by the organization’s activities and to people who are indirectly affected by the organization’s activities.

A Human Rights-Based Approach (HRBA) is a framework for applying a human rights lens in a particular setting. Originally applied in a development context and codified by the Stamford Agreement (2003), a HRBA has now been developed for many sectors. According to the Stamford Agreement (2003), the objectives of a HRBA should be to: further the realization of human rights generally; integrate human rights standards and principles into all activities in the sector; develop the capacities of duty-bearers (e.g. governments and non-state actors) so that they can better fulfil their obligations; and empower rights-holders so that they can claim and exercise their rights (van der Ploeg and Vanclay, 2017). Like all organizations, social enterprises must respect human rights and ideally would apply human rights thinking in all their activities. Arguably, the social enterprise sector should develop a HRBA specifically for their sector.

Implement a grievance redress mechanism

A “grievance” refers to a perceived injustice arising from an organization’s activities (United Nations, 2011). Grievances that are ignored may result in protest actions and in an escalation of the underlying issue (Hanna *et al.*, 2016), which can be exacerbated by the actions of police or an organization’s security staff (Vanclay and Hanna, 2019). Analyses of the human rights issues created by organizations reveal that most human rights issues are related to unaddressed grievances, and that having a mechanism for identifying and addressing grievances early would do much to prevent human rights harms from occurring (Kemp and Vanclay, 2013; Ruggie, 2013; Doyle, 2015). This was the fundamental reason why the *United Nations Guiding Principles on Business and Human Rights* (United Nations, 2011) had a strong recommendation that all organizations should implement a grievance redress mechanism, and it provided criteria to assist organizations in developing their own grievance redress mechanisms in ways that would be human rights compatible. Despite intending to do good, social enterprises can cause grievances in many ways. Therefore, it is essential that all social enterprises implement a grievance redress mechanism appropriate for the project or activity and the target audience.

Table 1.
Some indicative
rights and how they
can be positively or
negatively affected
by social enterprises

Right (short form)	Key official sources	How enjoyment of this right might be enhanced by social enterprises	How the activities of social enterprises might harm access to this right
Right to an adequate standard of living Right to continuous improvement in living conditions Right to Adequate Housing	UDHR Article 25; ICESCR Article 11 ICESCR Article 11; CESCR General Comment No. 4: The Right to Adequate Housing	Social enterprises can positively impact living standards, for example by ensuring that they address poverty alleviation and community development in their mission and activities. Through innovation and empowerment, social enterprises contribute to the continuous improvement of living conditions. The right to adequate housing ensures that everyone has access to safe, secure, and habitable living conditions. This right emphasizes the importance of affordable housing, protection from forced eviction, and the right to participate in decisions affecting housing policies.	A social enterprise focused on improving living conditions may unintentionally hinder the right to continuous improvement by implementing short-term solutions without addressing long-term needs. For instance, if the enterprise fails to engage communities in sustainable development, it can contribute to a cycle of temporary improvements rather than fostering lasting positive change. Social enterprises operating in disaster situations would need to ensure that any housing assistance they might provide would be consistent with the requirements of this right. Disaster interventions frequently fail to consider the human right to housing (Barber, 2008). Another problematic area of activity relates to project-induced displacement and resettlement, which also often leads to human rights harms (van der Ploeg and Vanclay, 2017; Vanclay, 2017b). Social enterprises may target only certain groups. This may lead to inequality in a community and create a feeling of discrimination amongst other groups.
Freedom from discrimination	UDHR Article 2; UN Convention on the Elimination of all Forms of Discrimination against Women (1979)	Social enterprises contribute to the elimination of discrimination by promoting gender-inclusive employment, empowering women through training and skills development, and addressing systemic gender inequalities. Their initiatives foster economic independence, challenge discriminatory norms and advance women's rights.	
Right to participate in cultural life	UDHR Article 27; ICESCR Article 15	Social enterprises can enrich the participation in cultural life by fostering inclusive spaces that celebrate diversity. They can promote cultural preservation, support local artisans and provide platforms for artistic expression. Social enterprises contribute to vibrant and dynamic cultural ecosystems, enhancing the overall cultural experience for communities. Social enterprises can enhance the right to education by creating innovative, accessible learning solutions. They often prioritize marginalized communities, providing scholarships, skill-building programs and access to technology. Through these initiatives, social enterprises contribute to breaking barriers, fostering inclusivity and advancing the right to education for all.	Social enterprises may harm the cultural life of certain communities with the projects they carry out. For example, a social enterprise that provides classical music training potentially may harm the preservation of local musical culture.
Right to education	UDHR Article 26.		Social enterprises should carefully consider the implications of providing practical skills training for young children. In some contexts, because of their skills, this might lead to the children seeking work and thus not attending or leaving school.

(continued)

Right (short form)	Key official sources	How enjoyment of this right might be enhanced by social enterprises	How the activities of social enterprises might harm access to this right
Right to food	UDHR Article 25; UNESCR Article 11; CESCR General Comment No. 12: The Right to Adequate Food (Art. 11)	Social enterprises contribute to the right to food by promoting sustainable agriculture, reducing food waste and addressing food insecurity. They can enhance access to nutritious food and foster food sovereignty.	A potential harm to the right to food could be unintentional environmental degradation by promoting unsustainable agricultural practices. If not mindful, their operations potentially could contribute to soil degradation or water pollution, indirectly impacting food security and hindering the realization of the right to food.
Right to water	A/RES/64 / 202; General Comment No. 15: The Right to Water	Social enterprises support the right to water by implementing sustainable water management practices, developing innovative solutions for water access, and addressing water-related challenges in communities. Through their initiatives, they contribute to ensuring equitable, affordable and sufficient access to clean water, advancing the realization of the right to water for all.	While a water-focused social enterprise aims to provide clean water by planning to improve the quality of water resources in a particular region, it may inadvertently exclude economically disadvantaged communities and create financial barriers to access.
Right to health	CESCR General Comment No. 14: The Right to the Highest Attainable Standard of Health (Art. 12)	The right to health encompasses access to timely, acceptable, and quality healthcare. It emphasizes preventive measures, medical treatment, and the underlying social determinants that impact health. Upholding this right promotes well-being, reduces inequalities and contributes to overall development.	Some social enterprises promote certain health-related behaviors or beliefs that potentially might result in people not seeking medical attention or failing to be aware of any symptoms.
Right to self-determination	ICCPR Article 1; ICESCR Article 1; UNDRIP Article 3	Social enterprises typically empower communities and support the right to self-determination. By fostering economic independence, cultural preservation and local decision-making, they contribute to autonomy and self-governance. They strengthen the ability of communities to shape their own destinies.	A social enterprise engaging in community development might inadvertently undermine the right to self-determination by imposing external solutions without consulting local people. For instance, implementing projects without community input may disrupt traditional practices, thus eroding the autonomy of the community and diminishing their ability to shape their own development trajectory.
Right to seek asylum	UDHR Article 14; UN Global Compact on Refugees (2018)	Social enterprises support the right to seek asylum by providing.	A social enterprise engaged in refugee assistance might unintentionally compromise the right to seek asylum. If its projects lack sensitivity to the complexities of displacement, or if it inadvertently perpetuates stereotypes, it can contribute to an environment that discourages individuals from seeking asylum and accessing protection.

(continued)

Social impact assessment

Table 1.

Table 1.

Right (short form)	Key official sources	How enjoyment of this right might be enhanced by social enterprises	How the activities of social enterprises might harm access to this right
Equality of Rights between Men and Women	General Comment No. 28	The equality of rights between men and women acknowledges that all individuals, regardless of gender, should have the same legal, social, and economic rights. This concept aims to eliminate discrimination, promote gender equity, and create a society where opportunities and responsibilities are shared equally.	Social enterprises may inadvertently reinforce traditional gender roles in their projects, and thus contribute to the persistence of gender disparities rather than promoting gender equality and empowerment.
Right to a clean, healthy and sustainable environment	United Nations General Assembly (26 July 2022) UN Document: A/76/L.75	Social enterprises contribute to the right to a clean, healthy, and sustainable environment by adopting eco-friendly practices, promoting conservation and addressing environmental challenges. Through innovative solutions and community engagement, they play a vital role in preserving ecosystems and advancing environmental well-being for all.	A social enterprise that supports farmers might provide agricultural production training. After the training, it might distribute seeds to farmers free of charge. However, these seeds might not be appropriate for the local environmental conditions. For example, they may require excessive water, they may become an invasive species, they may require large amounts of pesticides or fertilizer, or they may be GMOs.

Notes: UDHR = universal declaration on human rights; ICESCR = international covenant on economic, social and cultural rights; CEDAW = international covenant on civil and political rights; UNDRIP = united nations declaration on the rights of indigenous peoples

Source: Authors' own work

			Social impact assessment
Document	How social enterprises can positively enhance access to rights	How the activities of social enterprises might harm access	
United Nations Convention on the Rights of the Child (1989)	Social enterprises can enhance the rights of children by providing education and child welfare initiatives. They try to conduct ethical business models and community engagement, and create environments conducive to the healthy development of children, empower children and contribute to the realization of the rights and well-being of children.	A social enterprise that conducts projects for children may inadvertently cause negative physical and psychological harm if it does not employ adequately trained professional staff.	Table 2. Some key international documents that assist in ensuring that all people have equal access to their human rights, and significance for social enterprises
United Nations Declaration of the Rights of Persons belonging to National or Ethnic, Religious and Linguistic Minorities (1992)	The rights of persons belonging to minorities are crucial given the diversity within societies. International agreements safeguard these rights, aiming to protect minority cultures, languages and identities. Upholding these rights fosters inclusive societies, promotes diversity, and prevents discrimination based on minority status.	A social enterprise may inadvertently harm minorities by not considering their unique needs or by perpetuating a lack of cultural sensitivity. For instance, if an enterprise's projects lack inclusivity, it can contribute to the marginalization of minority communities and reinforce existing disparities.	
United Nations Convention on the Rights of Persons with Disabilities (2007)	Social enterprises enhance the lives of people with disabilities by fostering inclusive workplaces, providing skill development, and creating accessible and inclusive products and services. These efforts empower individuals with disabilities, promote equal opportunities, remove societal barriers, and contribute to the full realization of their rights and potential.	A social enterprise that builds new schools can harm access to human rights if it does not take into account issues such as accessibility ramps and toilets.	
United Nations Declaration on the Rights of Indigenous Peoples (2007)	Social enterprises try to positively impact the rights of Indigenous peoples by respecting cultural heritage, promoting economic empowerment and fostering self-determination. They seek to conduct fair partnerships and community-led initiatives, and contribute to the preservation of Indigenous identities, territories and traditions, supporting the realization of their rights and aspirations.	Social enterprises should respect cultural traditions of Indigenous peoples and should seek free, prior, and informed consent before any project starts. However, a social enterprise working with Indigenous peoples might inadvertently undermine their rights by implementing development projects without having conducted adequate community engagement.	
(continued)			

Document	How social enterprises can positively enhance access to rights	How the activities of social enterprises might harm access
United Nations Global Compact on Refugees (2018)	Social enterprises advance the right to refugees by offering employment, skill development, and community support. They facilitate integration and empower refugees to rebuild their lives with dignity. Social enterprises contribute to the protection of the rights of refugees and foster resilience in the face of displacement and adversity.	A refugee-focused social enterprise, while well-intentioned, might unintentionally compromise the rights of refugees by perpetuating dependency or by reinforcing stereotypes. For example, if the enterprise solely provides short-term solutions without addressing long-term integration challenges, it might hinder the self-sufficiency of refugees and contribute to dependency on donations rather than to empowerment.

Table 2. Source: Authors' own work

Obtain free, prior and informed consent (or at least broad-based approval)

Free, Prior and Informed Consent (FPIC) is a procedural mechanism to ensure that Indigenous peoples have equal access to their rights, especially the right of self-determination (Hanna and Vanclay, 2013). Because of the strong connection of Indigenous peoples to their lands, before any project proceeds on or near Indigenous territories, it is expected that project developers obtain FPIC from the affected Indigenous communities (Hindle and Lansdowne, 2005). Although much discussed and somewhat contested (Rodhouse and Vanclay, 2016), the concept of FPIC has gained formal standing with its inclusion in two key documents: the International Labour Organization (1989) *Indigenous and Tribal Peoples Convention, C169* and the United Nations (2007) *Declaration on the Rights of Indigenous Peoples*. Countries that have ratified these documents are expected to implement certain procedures (including the need to obtain FPIC) in their domestic legal framework (Hanna and Vanclay, 2013; Vanclay and Hanna, 2019). Strictly speaking, FPIC only applies to Indigenous peoples (which should be broadly defined). However, because FPIC embeds respect for project affected communities, arguably it could be applied in relation to all communities (Tomlinson, 2019). Given the right of all people to participate and be involved in decisions that affect their lives, there is an argument that no project should proceed without the broad based approval of people likely to be affected by it (Vanclay et al., 2015).

The word “free” means that the consent of people affected by a project should be obtained without any coercion, harassment or retaliation. “Prior” means that the communities that will be affected by a project should be given adequate time to consider the proposal before any work on the project starts. “Informed” means that affected peoples must be provided with full information about the project in a language and style they can understand, and that they are able to comprehend what all likely negative and positive impacts would mean for them. The concept of “consent” implies that the affected people should have the ability to say yes or no to a project and that their decision would be respected. Superficially, these conditions are obvious and meaningful, however they are problematic in practice (Kemp and Vanclay, 2013; Hanna and Vanclay, 2013; Buxton and Wilson, 2013; Vanclay et al., 2015; Rodhouse and Vanclay, 2016). Despite these difficulties, the principle or ideal of FPIC is clear and meaningful, and it could be easily applied in situations where social enterprises genuinely have good intent.

Consider the ongoing social licence to operate of each project

The concept of “social licence to operate” has now become popular in many sectors, especially dams, the extractive industries, forestry and oil palm (Prno and Slocombe, 2012; Boutilier, 2014; Dare *et al.*, 2014; Jijelava and Vanclay, 2017, 2018; Pasaribu *et al.*, 2021). A social licence to operate can be defined as the acceptance by all relevant stakeholders of the activities carried out by an organization (Gunningham *et al.*, 2004). In addition to meeting legal requirements, organizations in any field need to obtain the acceptance (and preferably approval) of any communities that are directly or indirectly affected by their operations. Otherwise, the organization could face one or more of the hundreds of forms of protest, e.g. strikes, protests, blockades, sabotage, legal action (Hanna *et al.*, 2016). Given that these protests may cause down-time, cost increases, loss of reputation, and many other consequences, organizations can be significantly affected (Franks *et al.*, 2014; Jijelava and Vanclay, 2018; Vanclay and Hanna, 2019). Therefore, it is essential that organizations gain a certain level of legitimacy in the eyes of the stakeholders affected by their projects (Meyer *et al.*, 2020). To gain social legitimacy, it is vital for organizations to conduct their activities in a transparent and accountable manner, and to behave with respect towards all affected communities (Boutilier, 2014; Vanclay and Hanna, 2019; Veenker and Vanclay, 2021).

Consider implementing a benefit sharing program

In the IAIA discourse of SIA, it is expected that projects should implement a benefit sharing program. Benefit sharing can be defined as financial and other arrangements to enable project-affected peoples to become beneficiaries of a project (Vanclay, 2024b). An important aspect of the notion of benefit sharing is that it should be in addition to any compensation that would be due for harm created. Normally, the concept of benefit sharing is applied in contexts where a corporate project (such as a mine or wind farm) needs to secure the approval of local people to proceed and/or as part of the company’s CSR or social investment activities. However, all infrastructure projects, including when implemented by public sector agencies and/or for a public purpose, create negative social impacts, and therefore, it is argued that some level of benefit sharing is needed to overcome any inconvenience that is not compensated. Furthermore, the distribution of costs and benefits from projects is not necessarily fair or equal – in the SIA field, it is well-known that there is a ‘differential distribution’ of costs and benefits (Vanclay, 2003, 2012; Esteves and Vanclay, 2009; Vanclay *et al.*, 2015; Götzmann *et al.*, 2016). In the IAIA discourse, the understanding is that people in the vicinity of projects should always receive some benefits (Vanclay, 2024b). The World Bank has provided much advice about good practice in benefit sharing for many sectors (Peskett, 2011; World Bank, 2019).

Social enterprises generally consider that they are “do good organizations” and are already doing beneficial programs and projects (Fowler *et al.*, 2019). Therefore, they are likely to be surprised by the suggestion that they should also have a benefit sharing program in addition to the activities they already do. However, there are several reasons why implementing a benefit sharing program would be a good idea, including that, because social enterprises often target their programs to certain specific target groups (often vulnerable groups), non-target groups may feel alienated, discriminated against or unfairly treated.

Some limitations and a note of caution

SIA is an essential tool for understanding the social consequences of projects and initiatives, including those conducted by social enterprises. However, it is imperative to realize that SIA is not a one-size-fits-all solution. The diversity and complexity of social enterprises, each

with unique goals, communities and contexts, mean that metrics and methodologies need to be appropriately tailored to the specific situation. Also, unlike Environmental Impact Assessment, which tends to inform project approval processes (also called environmental licensing), the primary function of SIA is to assist in the ongoing management of social issues. It would be very reductionist and simplistic to only use SIA as a litmus test to establish approval for a social enterprise, as this would overlook the many nuanced impacts these organizations have on their host communities and target social groups. Furthermore, social impacts are multifaceted and complex, frequently involving indirect and long-term effects that are challenging to predict. SIA will be a useful tool in the social entrepreneurship toolbox, but should be applied carefully.

Conclusion: social impact assessment can lead to better outcomes for social enterprises

SIA can help social enterprises assess, monitor, manage and deeply understand the social impacts of their activities. While social enterprises generally aim to create positive social outcomes, it is possible that they also inadvertently cause harm. It is important to acknowledge that no organization is immune from potentially causing negative consequences, including social enterprises that intend to do good. Therefore, we argue that SIA can be an important tool for social enterprises to minimize their potential negative social impacts and maximize the intended positive social outcomes. SIA is arguably of greater importance for social enterprises than many other types of organization, given that their target audience typically comprises vulnerable communities. The potential benefits to social enterprises from conducting SIA are listed below.

Increased accountability and transparency: The use of SIA would assist social enterprises in demonstrating accountability and transparency by assessing and disclosing the risks and impacts, both positive and negative, of their operations. It would build trust with directly and indirectly affected people and other stakeholders, including investors, employees, volunteers and the wider community.

Evidence-based decision-making: The use of SIA would provide social enterprises with valuable data and insights about the social, economic and environmental consequences of their initiatives. This information would enable evidence-based decision making, help social enterprises identify potential risks, refine strategies and allocate resources more effectively.

Continuous improvement: The use of SIA would assist social enterprises to evaluate the effectiveness of their programs, policies and interventions, leading to continuous improvement and better outcomes for the communities they serve.

Stakeholder engagement: Doing SIA involves engaging all stakeholder groups, including local communities, beneficiaries and other relevant parties. This engagement fosters dialogue, inclusivity and participatory decision-making, ensuring that the voices and needs of those affected by social enterprises would be considered.

Market differentiation and competitive advantage: The use of SIA would allow social enterprises to further differentiate themselves in the market, for example by being able to demonstrate their positive social impacts and lack of negative impacts. In an increasingly socially conscious consumer landscape, this differentiation could lead to competitive advantage, especially in attracting customers who support businesses that are aligned with social, ethical and environmental values.

Attracting investment and funding: Social enterprises that implement SIA would be able to demonstrate to key stakeholders such as investors that their activities create positive social impacts and that any potential negative social impacts are being adequately managed. Because of the SIA process, the credibility of this evidence would assist them in

attracting funding and investment from philanthropic organizations, impact investors and other stakeholders seeking to support their activities.

Gaining and maintaining a Social Licence to Operate: All organizations need to have some level of social legitimacy and social approval, in other words, a social licence to operate. By conducting SIA, social enterprises are likely to improve their social licence amongst the various stakeholders, i.e. obtain more favourable stakeholder perceptions of their legitimacy and social acceptability. Improving their social licence would also contribute to the other benefits discussed above, and would lead to greater legitimacy for the specific social enterprise as well as to social enterprises generally, and to greater likelihood of success and achievement of mission.

In addition to the above benefits to individual social enterprises, the widespread use of SIA in the social enterprise sector would generate evidence that can be used to assist in policy development, advocacy and in assisting in systemic change to improve the legitimacy, standing and regulatory recognition of the social enterprise sector. The robust nature of SIA would help inform policymakers about the benefits and challenges associated with social enterprises, thus potentially contributing to the creation of a supportive regulatory framework. This would lead to an improved policy environment for social enterprises.

To conclude, our argument is that SIA should play a vital role in the activities of individual social enterprises and to the field of social entrepreneurship generally. This would enable better understanding of the full range of social impacts (both positive and negative, intended and unintended). It would enhance accountability and facilitate evidence-based decision making. It would contribute to the success of social enterprises by promoting continuous improvement, facilitating stakeholder engagement, enhancing market differentiation and improving the ability to attract investment and funding. Furthermore, the use of SIA would inform policy development and advocacy efforts, driving systemic change and creating a more favourable environment for social enterprises.

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About the authors

Memduh Eren Giderler works at the Social Innovation Research Center at the Social Sciences University of Ankara in Turkey. He aims to create social value and develop scientific knowledge by conducting research in the fields of social entrepreneurship and social impact assessment to help create sustainable solutions to social problems.

Frank Vanclay is a Professor of social impact assessment and management in the Faculty of Spatial Sciences at the University of Groningen, The Netherlands. His interests include social impact assessment and management; project induced displacement and resettlement; social licence to operate; business and human rights; benefit sharing; community engagement; corporate social responsibility; endogenous rural development; social innovation; and social entrepreneurship. Frank Vanclay is the corresponding author and can be contacted at: frank.vanclay@rug.nl

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