



ARCS OF IMPACT

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Beyond Metrics: Rethinking purpose, innovation, and social impact evaluation in SMEs as an evolving and relational design process

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Abstract

In the business landscape, there is an increasing recognition of the role that innovation plays in fostering long-term social impact. Demonstrating social value and positive impact is no longer just an internal priority, becoming a key differentiator for companies aiming to obtain funding and legitimacy. Yet, for many small and medium enterprises, proving their social value remains challenging, facing difficulties in assessing their impact on society and with placing value on intangible outcomes and softer values of their initiatives. Many widely accepted impact assessment tools are technical-oriented, resource-intensive, and reliant on specialized expertise, making them often inaccessible to organizations without significant financial investment.

Corporate purpose is not a static concept, being shaped by the structure, values, and objectives of each company. Businesses span a diverse spectrum of profit-driven enterprises, social enterprises, and non-profit, where the understanding of social impact, value and innovation is often fluid and context-dependent. The concept of impact is often framed as internal or external to the organization, being conceived as the internal benefits provided to employees, fostering a culture of innovation and well-being, or externally, as their engagement with communities through projects that drive social change, either independently or in collaboration with stakeholders.

Exploring how these different interpretations influence the discourse around social innovation and impact measurement helps to explain how SMEs embed purpose within their strategies. The absence of a shared conceptual framework for social value and innovation has led to the growing tendency to interpret voluntary or routine activities as social innovation, even when their impact is not embedded in the organization's broader social mission.

Capturing and measuring impact requires embedding evaluation processes into an organization's management structure, where the challenge relies in ensuring that impact assessment does not become a compliance-driven exercise but rather a designed feedback mechanism that informs strategic decision-making and enhances the continuous innovation process.

This paper highlights the case of purpose-driven SMEs, examining how they attempt to integrate impact evaluation into their practices and navigate this complexity. While impact tools provide legitimacy, they are not always feasible for SMEs due to cost and technical demands. In response, we propose design discipline and its participatory and creative approaches to evaluation as an alternative. These methods actively engage multiple stakeholders, allowing SMEs to define what social impact means in their specific context and how it should be measured, while developing adaptable frameworks that align with their mission and operational realities.

Furthermore, this paper aims to highlight the importance of design approach in balancing quantitative and qualitative data, insights and metrics. While numerical indicators and tools are useful for demonstrating progress, qualitative impact narratives are equally valuable, offering depth and contextual understanding, capturing data that cannot be easily quantified. Examining how SMEs navigate the challenges of measuring and demonstrating impact, helps to understand that while structured evaluation frameworks play an important role in fostering accountability, they are not universally applicable. Instead, a shift toward participatory and adaptive impact evaluation led by a design perspective can enable more SMEs to integrate purpose-driven strategies effectively. Bridging the gap between corporate purpose, social innovation, and impact measurement highlights how businesses can sustain their contributions to

society while ensuring that their impact remains both measurable and meaningful.

KEYWORDS: Social impact, innovation, evaluation, SMEs, creativity, participatory design

RSD TOPIC(S): Cases & Practice, Economics & Organizations, Society & Culture.

Presentation

Certain organizations, initiatives, and projects prioritize social impact as a core asset and a key factor in their long-term viability. Negative social consequences can undermine intended benefits, affecting both communities and the success of an intervention. To address this, social impact assessment has been used to analyze how initiatives affect individuals and communities, aiming to mitigate adverse effects, enhance positive outcomes, and anticipate future social changes.

However, social impact is not a universally defined concept. Its scope varies depending on national policies, institutional objectives, and disciplinary perspectives. While some approaches confine social impact to environmental-related changes, others emphasize economic development, social well-being, or community engagement. Many practitioners have attempted to define indicators and assessment frameworks, yet there remains a lack of clarity on how social impact intersects with broader social dynamics.

For the purposes of this paper, social impact is understood as the consequences of an action or initiative that influences people's quality of life, social structures, and relational dynamics. However, not all social impacts can be readily quantified or measured through standard metrics. Many intangible and relational dimensions of change require alternative assessment approaches that integrate qualitative and participatory methodologies.

While social impact is a central concern across a range of projects, attention is often directed toward high-profile issues with clear economic and environmental data, leaving behind subtler but equally important effects on community relationships, personal development, and civic engagement. Traditional impact assessment tools prioritize metrics, outputs, and quantitative indicators, making them useful for organizations that require structured reporting. However, these methods often overlook complex social

transformations, contextual nuances, and emergent changes that cannot be easily translated into numerical data.

As interest in measuring and managing social impact continues to grow, organizations, particularly small, nonprofit, and purpose-driven ones, are experimenting with participatory and adaptive evaluation frameworks. Unlike conventional impact assessments that focus on retrospective validation, these approaches embed evaluation throughout the lifecycle of an initiative, ensuring that impact measurement is a continuous learning process rather than a one-time assessment.

In this context, this paper examines participatory evaluation practices that seek to capture the evolving and relational nature of social impact. Additionally, it explores the value of a design-driven perspective, which understands impact as a nonlinear, emergent process rather than a fixed outcome. By integrating iterative monitoring, qualitative insights, and stakeholder collaboration, a design approach to evaluation challenges traditional evaluation models and proposes a more holistic and adaptive framework for assessing social impact over time.

Rethinking social impact evaluation

In this paper, we distinguish between several related terms. *Metrics* refer to specific quantitative indicators used to track progress. *Measurement* denotes the process of collecting either numerical or qualitative data. *Assessment* refers to structured methods for analysing and comparing performance against objectives. *Evaluation* encompasses the broader, interpretive process of making sense of outcomes and impacts over time. Within this scope, we use the term *creative evaluation* to describe emerging approaches that capture experiential, and qualitative dimensions of social change which conventional tools often miss.

Social impact evaluation encompasses a wide range of tools, methods, and frameworks, each shaped by distinct theoretical orientations. Broadly, these approaches can be categorized into two main paradigms: the rational-scientific approach, which emphasizes predicting and quantifying change, and the socio-political approach, which focuses on stakeholder engagement and community development (Sadler et al., 2002).

Both perspectives rely on diverse data sources, including demographic statistics, past experiences from similar initiatives, trend analysis, surveys, and field research.

Traditionally, social impact assessment has been driven by forecasting change, often favoring the rational-scientific approach due to its emphasis on measurable indicators and data-driven validation. This model is particularly prevalent among institutions and organizations that require standardized metrics to demonstrate impact, such as return on investment (ROI) or cost-effectiveness. Meanwhile, the socio-political approach is more commonly adopted by community-driven organizations and social innovators, who emphasize participatory evaluation and contextualized understandings of change.

However, both paradigms have significant limitations. While predictive models provide valuable structure, they often fail to capture intangible and emergent aspects of social change that cannot be easily quantified. Likewise, community-based approaches, though rich in qualitative insights, struggle to gain legitimacy in data-centric decision-making environments. The challenge lies in bridging these perspectives to develop a more holistic and adaptable impact assessment framework. In practice, however, most evaluations rely on only one or two standardized tools, limiting their ability to account for the full complexity of social impact (Sadler et al., 2002).

There is a growing recognition that impact should not be assessed solely through numerical outputs but as an evolving and relational process. Change unfolds over time and across multiple scales, influenced by interactions between stakeholders, external conditions, and adaptive learning mechanisms. While financial metrics remain important, especially for organizations operating within larger systems, many purpose-driven enterprises, social organizations, and grassroots initiatives require alternative evaluation models that reflect their mission and operational realities. Another critical challenge is temporality: social impact often becomes visible long after outputs or outcomes have been delivered, raising issues of causality and attribution. For SMEs, this difficulty is exacerbated by short funding horizons and operational cycles that rarely allow impact to fully emerge within conventional evaluation timeframes.

Moving beyond metrics calls for an approach that integrates participatory, contextual, and iterative assessment methodologies. Equally critical is the role of ongoing monitoring, learning, and adaptation, ensuring that evaluation is not a retrospective

exercise, but a continuous process embedded within the lifecycle of an initiative. By reframing impact assessment as a dynamic and interactive process, organizations can develop more meaningful and context-sensitive evaluation frameworks, ultimately leading to more sustainable and socially responsive outcomes.

Creativity in impact evaluation processes

Evaluation plays a fundamental role in demonstrating the value generated by businesses, projects, and social initiatives. However, when it comes to assessing social impact, conventional methods remain largely underdeveloped and overly reliant on quantitative data. Many impact measurement frameworks, particularly those originating from the financial sector, prioritize metrics such as return on investment, cost-effectiveness, and numerical outputs, often failing to capture the complexity of social change and its relational, emergent nature. A more comprehensive approach is needed, one that incorporates qualitative dimensions, recognizes stakeholder perspectives and adapts to contextual nuances (Owen et al., 2022).

Social innovation is defined as the development of new ideas, models, processes, and services that aim to create social value and systemic change (Nicholls et al., 2015; Manzini, 2015). However, despite its focus on transformation, evaluation practices in social innovation have traditionally been outcome-driven, concentrating on measuring tangible results rather than understanding why and how impact unfolds (Patton, 2011). While social impact assessment is essential for scaling initiatives and improving decision-making, traditional frameworks often struggle to account for intangible elements such as community relationships, behavioral change, and shifts in social dynamics (Weaver & Kemp, 2017).

There is growing recognition that impact should not be assessed solely in terms of quantifiable outputs but rather as an evolving and relational process. While financial indicators remain relevant, particularly for organizations embedded in market-driven ecosystems, many purpose-driven enterprises and grassroots initiatives require alternative evaluation frameworks that reflect their mission, values, and social objectives. In this context, creative evaluation has emerged as a response to the limitations of conventional impact measurement, offering a more flexible and participatory approach to assessing social change (Christou et al., 2021).

Creative evaluation integrates methods drawn from design and participatory research, enabling stakeholders to co-create assessment frameworks that align with their lived experiences and organizational realities. Rather than imposing external evaluation criteria, this approach prioritizes engagement, contextual adaptability, and a deeper exploration of qualitative insights. Techniques such as co-design, participatory storytelling, and interactive mapping allow for a richer, multi-dimensional understanding of impact, moving beyond rigid, retrospective evaluations.

Encouraging participation is at the core of creative evaluation, shifting the role of assessment from something done to or about stakeholders to a process conducted with or for them (Sanders & Stappers, 2008). This mirrors key principles in participatory design and co-design, where meaningful interactions and collaboration are essential to understanding complex social realities. By embedding creativity into impact assessment, organizations can move away from static measurement tools and towards an iterative, learning-based model that captures the full spectrum of social transformation.

In this sense, creative evaluation not only expands the boundaries of traditional impact measurement but also aligns with broader shifts in systemic design, participatory governance, and adaptive strategy development. As social innovation continues to evolve, there is a growing need to explore hybrid evaluation frameworks that merge structured methodologies with dynamic, relational insights, ensuring that impact assessment remains both rigorous and responsive to real-world complexities.

Reflection

Designers increasingly recognize the need to evaluate the impact of their work and effectively communicate their findings (Björklund et al., 2018; Drew, 2017; European Commission, 2013; Westcott et al., 2013). Evaluation has become an essential part of the design process, enabling practitioners to assess the effectiveness of their projects and make informed decisions for future iterations (Norman, 2014; Verschuren & Hartog, 2005; Williams et al., 2011). However, despite its growing relevance, evaluation in design remains inconsistent, lacking a unified framework to systematically measure impact across different fields. While this lack of a unified framework affects design broadly, its implications are particularly pressing for SMEs. Their size and contextual

limitations make it harder to adopt standardized approaches, reinforcing the need for adaptive evaluation models tailored to small-scale, purpose-driven enterprises.

Design-led approaches have long been central to driving innovation in business and society, particularly when addressing complex, systemic challenges (Brown et al., 2009; Villari & Mortati, 2014; Manzini, 2014). However, measuring the impact of these approaches, especially within social innovation, remains an ongoing challenge. A design-driven approach to impact evaluation is particularly valuable due to its focus on human behavior, user experience, and contextual influences (Foglieni & Villari, 2015; Foglieni et al., 2018; Liedtka, 2017). Integrating design principles into social impact evaluation can make the process more user-centric and context-sensitive (Yu & Sangiorgi, 2018), offering deeper insights into how initiatives foster societal change. Specifically, participatory approaches allow for a more holistic understanding of social innovation efforts, ensuring that evaluation captures not just outcomes but also processes and relational dynamics (Drew, 2017).

Despite ongoing discussions about the role of evaluation in design theory and practice, it remains an underexplored and fragmented domain (Foglieni et al., 2018; Owen et al., 2022; Williams et al., 2011). However, this gap presents a significant opportunity for researchers and practitioners to develop impact evaluation methodologies that align with the evolving nature of design. Cultivating an evaluation culture within design, one that moves beyond static measurement toward adaptive, participatory, and creative assessment models, is crucial for ensuring that impact measurement becomes an integral part of the design lifecycle rather than a retrospective exercise.

Advancing evaluation practices requires a shift toward more participatory, iterative, and creative methodologies, particularly in the context of social innovation. As creative approaches to evaluation gain recognition, there is increasing potential to design more flexible, responsive, and inclusive assessment models that reflect the complexity and transformative nature of social impact. By embedding evaluation into the design process itself, rather than treating it as an external validation step, practitioners can ensure that impact measurement remains a continuous, learning-driven endeavor.

Looking forward, the intersection of design, evaluation, and impact measurement offers an exciting avenue for innovation. The challenge now is to move beyond conventional

metrics and rigid frameworks and embrace evaluation as a relational and evolving practice, one that enables a deeper, more meaningful understanding of social change.

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