



Key performance indicators for start-up sustainable development enterprises

*Drawing from the literature about social and environmental entrepreneurship, and empirical research with SEED Award winners, this Insight suggests **fourteen key performance indicators** for monitoring the progress of start-up sustainable development enterprises. It is based on research by the International Institute on Sustainable Development (IISD), for the SEED Initiative. Thanks are also due to SEED's Award Winners for their valuable contributions.*

*The **SEED Initiative** identifies, profiles and researches promising entrepreneurial approaches to locally-led sustainable development in developing countries, and provides partnership building and capacity development through a tailored support programme for start-up sustainable development enterprises.*

This paper should be read in conjunction with SEED's Insight on Critical success factors. Briefing notes on other topics in SEED's Insight series are available online from the SEED website: www.seedinit.org

Why these performance indicators are useful

There is a growing body of management literature on how and what to measure as indicators of successful performance in enterprises, but few of these are specific to an enterprise which seeks both social and environmental benefits. In parallel, the field of social entrepreneurship or enterprise has a wide range of approaches, methodologies and tools used to measure performance. But tools are geared for those with knowledge in the field, and who evaluate a range of enterprises. For a new entrepreneur in a developing country context, whose first priority is to make their business succeed, these tools are perhaps difficult to use. A more simple approach is warranted.

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Applying these performance indicators

The indicators described here can be adapted to the specific circumstances of an enterprise to monitor progress towards its economic, social and environmental goals. More specific targets (such as revenue goals; numbers of homes provided with clean water; or numbers of hectares of an ecosystem restored) may be warranted for each indicator. All 14 indicators can be monitored on an annual basis, as part of an overall strategic business assessment and annual reporting process.

These indicators can also be monitored by those investing in and supporting an enterprise in order to assess whether the potential of the enterprise is being realized, and to recognize early signs of crisis that can be mitigated if addressed in time.

Key indicators for business performance, social performance, environmental performance and partnership arrangements

- **Business performance:**

Financial viability of each start-up enterprise has improved.

Indicator 1: *Business plan in place, reviewed and updated regularly*

Indicator 2: *Marketing networks established and new opportunities investigated*

Indicator 3: *Livelihood provided for the enterprise manager*

Business plans should demonstrate that the enterprise is establishing objectives, products and service lines; setting up supply chains; identifying revenue targets, and the investment and financing requirements and marketing strategies to meet those targets; outlining the roles and responsibilities of those involved in the enterprise. All these are essential to improving financial viability. The provision of income for the enterprise manager suggests that a measure of stability and continuity is being achieved that will allow the enterprise to grow.

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- **Social performance:**

The provision of income or employment to community beneficiaries and contribution to community livelihood and well being.

Indicator 1: *Income provided*

Indicator 2: *Delivery of occupational education and skills training*

Indicator 3: *Fostering stronger community organization, in particular women's and youths' roles*

Indicator 4: *Social development benefits secured*

In addition to the provision of employment, incomes or sharing of revenues, the enterprise contributes to social development through, for example, education and new skills training which help to sustain and diversify economic activities within a community. Improvements in community health and well-being that result from increased income, new skills and stronger community organization can be signalled by more children attending school, improved access to health care, and so forth. Observing and documenting such changes for annual reflection will help triple bottom line enterprises ensure that the downstream social benefits are in fact being realized by their target beneficiaries.

- **Environmental performance:**

Contribution to conservation and sustainable management of resources in the area.

Indicator 1: *Evaluation of environmental impact of enterprise*

Indicator 2: *Delivery of environmental awareness, training and education*

Indicator 3: *Changes in community choices and actions*

Indicator 4: *Technological innovation occurs*

In order to determine environmental benefits, benchmarks need to be set against which environmental changes (either positive or potentially harmful) can be monitored. Observations of change need to be validated to provide assurances that environmental improvements are in fact taking place, and on what scale. Community involvement through public outreach and awareness raising, leading to changes in community choices and actions are additional signals that environmental goals are being achieved.

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- **Partnership arrangements:**

Relationships are built which contribute to enterprise development and growth (funders, supply chain, markets) and lead to the success of the enterprise, achieving multiple goals of economic development, social benefits and environmental stewardship.

Indicator 1: Roles, responsibilities and expectations established and monitored

Indicator 2: Regular communications maintained among partners

Indicator 3: Monitoring and managing change in partnership composition

The enterprise leader should map the key relationships required for the attainment of objectives, and monitor on a regular basis how those relationships are serving the enterprise. How communications are maintained among partners can reveal much about partnership "health". Changes in partners – who joins, who stays, who leaves – can also signal whether the partnership as a whole has the capacity to achieve its goals.

SEED Partners

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