

Can boards measure social impact effectively?

Hybrid board governance: Overcoming the barriers to measuring social impact

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For social hybrid organizations, balancing financial sustainability with social good is no easy task. These organizations—ranging from social enterprises to advocacy groups—often operate in an environment where donors and stakeholders expect measurable outcomes. But how do boards measure social impact when traditional financial metrics dominate? This article delves into the challenges social hybrid boards face in implementing social impact measurements, drawing insights from Swedish organizations.

WHAT WE STUDIED

The study investigates how boards in social hybrid organizations navigate the complexities of measuring social impact. It is based on 36 interviews with board chairs (BCs) and general secretaries (GSs) from 13 social hybrid organizations in Sweden. The researchers use institutional logics theory, which explains how organizations operate under multiple, sometimes conflicting, rules and expectations.

Through these interviews, the study identifies three major obstacles preventing effective social impact measurement:

- 1. Institutional pressures favoring cost-efficiency over social impact**
- 2. Pro bono board compensation limiting accountability and engagement**
- 3. Differences in governance structures between beneficiary-driven and membership-driven hybrids**

These insights contribute to a growing body of research on hybrid governance, showing how boards—despite recognizing the need for social impact metrics

—often fall back on financial measurements due to external pressures and internal constraints.

KEY INSIGHTS

1. Cost-Efficiency vs. Social Impact: The Regulatory Challenge

One major challenge is the dominance of cost-efficiency metrics over social impact measures. In Sweden, many organizations adhere to the "75/25 rule," which requires at least 75% of funds to be directed toward program activities, with no more than 25% allocated to overhead costs. This rule, enforced by fundraising regulators, often deters organizations from investing in social impact measurement systems, which are perceived as overhead expenses.

While social hybrids recognize the value of GIVA Sverige's Quality Code—a framework encouraging social impact reporting—many struggle to comply. The lack of standardized impact measurement tools leads to ambiguity and inconsistency in reporting. Boards frequently default to financial benchmarks, like growth in revenue or membership numbers, rather than qualitative assessments of long-term social impact.

**"We need to invest
in the people
working in our**

organization. But if you're only focused on minimizing overhead, you're not measuring the actual impact." – GS, ORG13

2. The Accountability Gap: Unpaid Boards Struggle with Commitment

Another major challenge is that most board members in social hybrids serve on a pro bono basis. While this aligns with the nonprofit sector's volunteer-driven culture, it presents issues of accountability and engagement.

Since board members aren't financially compensated, they may prioritize their professional careers over board duties, leading to low engagement and limited time investment in long-term initiatives like social impact measurement. Without financial incentives, boards also struggle to recruit highly skilled professionals who can drive measurement initiatives.

"If board members are not paid, it's hard to hold them accountable. Social impact measurement is complex and time-consuming, and there's no real enforcement

mechanism." – GS, ORG6

Additionally, unpaid board members often pursue personal agendas, leading to fragmented priorities and a lack of consensus on measurement strategies.

"Some board members are here just to push their own pet projects, rather than focusing on the bigger picture." – Deputy GS, ORG12

3. Beneficiary-Driven vs. Membership-Driven Boards

The study highlights a crucial distinction between beneficiary-driven and membership-driven social hybrids, each facing unique governance and measurement challenges.

Beneficiary-Driven Hybrids (e.g., NGOs tackling poverty, health crises, or environmental sustainability)

- Boards focus on broad, long-term societal change.
- Key challenge: Defining and measuring long-term impact for indirect beneficiaries.
- Board selection: Self-appointed experts, leading to potential resistance to change.
- Board meetings: Diverse perspectives create conflicts over priorities.

"We have so many different stakeholders—how do we measure impact fairly across them all?" — BC, ORG2

Membership-Driven Hybrids (e.g., sports clubs, disability rights groups)

- Boards prioritize their members' immediate needs and interests.
- Key challenge: Balancing short-term membership mandates with long-term impact.
- Board selection: Elected by members, leading to frequent turnover and knowledge gaps.
- Board meetings: Over-focus on operational concerns, neglecting strategic planning.

**> "New board members often have their own agendas and don't always see the bigger picture."
— GS, ORG9**

These differences complicate efforts to create a universal measurement framework, as impact

definitions vary significantly between organization types.

TAKEAWAYS

1. Shift from Cost-Efficiency to Value Creation

- Regulators should reconsider rigid financial efficiency rules like the 75/25 rule.
- Boards should advocate for impact-driven accounting rather than focusing solely on financial ratios.
- Use both qualitative and quantitative metrics to assess long-term outcomes.

2. Strengthen Board Accountability

- Consider modest financial compensation for board members to improve commitment.
- Implement board training and socialization processes to ensure alignment on impact goals.
- Establish clear performance expectations for board members, even in pro bono settings.

3. Tailor Measurement Strategies to Governance Structures

- Beneficiary-driven organizations should focus on developing long-term impact metrics that reflect complex social change.
- Membership-driven organizations should ensure that short-term member interests do not overshadow strategic priorities.
- Both types should experiment with storytelling, case studies, and participatory feedback mechanisms to complement financial reports.

4. Promote Impact Innovation at the Board Level

- Encourage cross-sector collaboration between nonprofits, academics, and social impact experts to develop better measurement tools.
- Adopt adaptive governance models that allow boards to respond flexibly to evolving impact discussions.
- Create a culture of continuous learning, where boards regularly evaluate and refine impact strategies.

IMPACT

The findings underscore the urgent need for a paradigm shift in nonprofit board governance—one that moves beyond financial compliance and prioritizes true social impact measurement. Future research should explore the role of chief financial officers (CFOs) and financial leadership in driving impact-driven accountability. Additionally, policymakers should rethink rigid financial efficiency rules that limit investment in measurement frameworks.

By addressing these governance challenges, social hybrids can build stronger, more accountable boards

that truly measure and enhance their social impact.

RECOMMENDATIONS

1. **Adopt a hybrid approach to performance measurement**—combine financial, social, and qualitative impact metrics.

2. **Invest in impact training for board members** to strengthen understanding of social value.

3. **Advocate for regulatory flexibility** that prioritizes impact over rigid cost-efficiency.

4. **Encourage transparency in reporting** using diverse communication methods like impact storytelling and digital dashboards.

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