



Proposal for the special session S10: Counterfactual methods for regional policy evaluation

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Measuring investment readiness: a tool for the evaluation of policies for social firms

Abstract

This paper presents an organized system of indicators aimed at measuring investment readiness, applied experimentally in the context of the evaluation of the SEED2018 call.

This measure, launched by the Compagnia di San Paolo (a bank foundation), aims to strengthen the social cooperatives, triggering processes of organizational and managerial renewal through a two-phase mechanism. The first one is devoted to an analysis of needs supported by a specialist consultant. The output is a renovation plan that is implemented in the second phase. This provides us with three subgroups among the applying companies: excluded firms, firms participating only in phase 1, and firms participating in phase 1 and 2. The 3 groups may be exploited for evaluation purposes. The outcome of the project is identified by the policy-maker in the concept of Investment readiness, and has been measured with a set of metrics collected through ex-ante and ex-post surveys.

In this paper we will discuss the evaluation challenges connected to impact evaluation in the field of entrepreneurial coaching for operators of the third sector. We will propose the use of the concept of investment readiness to this aim and show how it can be operationalized through the calculation of a set of composite indicators. We will test the methodology, by applying it to the three subgroups of firms, used as non-experimental controls, with a dif-in-dif approach. Finally, we will regress the changes in investment readiness over a set of observable variables of the firm, including also balance sheet data.

Unfortunately, the implementation of the first edition of the SEED call occurred in the middle of the period affected by the Covid pandemic, which caused in Italy huge operational restrictions. This may perturbate the values of the observed indicators and reduce the readability of the impact, in the presence of a small number of participating firms in this pilot edition. Nevertheless, we think that this analysis will carry fundamental insights on the possibility to apply the methodology in such a particular field.

Keywords

Impact evaluation, composite indicators, investment readiness, third sector, social enterprises, social cooperatives

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This work is based on the data collected and on the analyzes carried out as part of the evaluation service of the SEED2018 Call (Social Enterprises Efficiency and Development), promoted by the Compagnia di San Paolo. (Ragazzi et al, 2020)

Extended abstract

Cooperatives were born in Italy at the end of the nineteenth century, in the form of consumer cooperatives, modeling themselves on mutual aid companies and spreading to all economic sectors but mainly in the agricultural field. In the 80-90s of the nineteenth century, the increase in unemployment and the generalized downsizing of welfare systems almost everywhere, led to the spontaneous birth of social cooperatives, subsequently recognized and regulated by law no. 381/1991. Under this legislation, social cooperatives pursue purposes of collective interest by responding to the needs of society with educational, cultural and welfare services, or by promoting the employment of disadvantaged categories. This is a unique type of business, envisaged as well as in Italy, only by the Belgian and Polish legal system.

This business model, perhaps the first and most widespread example of an economic entity active in the third sector, still plays a fundamental role in responding to the needs of the country and in terms of economic weight (Euricse 2015), but is currently involved in a phase of fatigue, caused by numerous problems (generational change, excessive grant dependency, too inclusive organizational model that hinders strategic planning...).

In 2018, the Compagnia di San Paolo launched the Seed Call, with the aim of strengthening social cooperatives, triggering organizational and managerial renewal processes. The project was highly innovative compared to previous experiences in the field of social entrepreneurship. The novelties can be summarized in the following characteristics:

- The cooperative is the beneficiary of the intervention, not the instrumental entity that receives the funding in view of a social objective.
- Mainly, the project aims at suggesting a reflection on the needs of changes in the indicated fields.
- The selected companies will receive only advantages in terms of consultancy services, and no reimbursements of internal costs.

This contribution starts from an analysis of the evaluation challenges of this type of policy. To this aim we will provide a reflection on the definition of Investment Readiness and on the methodologies for its

measurement, since this variable has been chosen by the policy maker to represent the short/medium term outcome of the policy. The rather broad concept of investment readiness has been made operational thanks to the identification of sub-dimensions (the level of decentralization of responsibilities, the characteristics of human capital, openness to innovation, openness to the external environment) as suggested by the literature existing on the subject (Chiodo and Gerli, 2017). Finally the dimensions have then been translated into specific questions to be asked to the social cooperatives involved.

In the spring of 2019, the IRCrES-CNR, as evaluator, proposed a questionnaire to the cooperatives that participated to the call, but before the outcome of the same was released. The goal was to evaluate the investment readiness of applying companies before the implementation of the policy. The ex-ante picture was complemented with also a detailed statistical description of social cooperatives in Piedmont, taken through a longitudinal analysis of the balance sheet data of the firms. In the spring 2022, the IRCrES-CNR administered the same questionnaire to the cooperatives that applied for the 2018 call, in order to assess whether the funding obtained was effective in strengthening the Investment Readiness.

This methodology provided us with an ordered set of data points that have to be used to produce metrics for evaluation purposes. In particular, in the empirical part of our work we will apply one or more composite indicators to the data obtained from the responses to the entry and exit questionnaires (surveyed respectively in 2019 and 2022) in order to evaluate if the aim of the policy has been achieved. In addition, data deriving from the surveys will be integrated by the AIDA balance sheet data with the aim to have a better profiling of cooperatives in the treated and control group.

The evaluation approach (inevitably not experimental, as will be discussed) is based on a dif-in-dif approach.

We will have a comparison between the situation detected in 2019, in the period before the financing and the one observed today, when the selected cooperatives have been funded and they have carried out the renewal projects.

Moreover, we will exploit the two-phase implementation mechanism to observe different groups of cooperatives. In the SEED call the first phase is devoted to an analysis of needs supported by a specialist consultant. The output is a renovation plan. 40 cooperatives have been admitted to this phase. In the second phase there is the implementation of the renovation plan, that is supported by Compagnia di San Paolo only for 20 cooperatives. This provides us with three subgroups among the applying companies:

- excluded firms,
- firms participating only in phase 1,
- firms participating in phase 1 and 2.

To be observed in their evolution through the Investment readiness composite indicators and through balance sheet indicators. Since the excluded companies and the companies admitted only to phase 1 cannot be considered as comparable with the cooperatives admitted to phase 2, a diff-in-diff analysis and a regression model will be carried out.

If the objective of the call was to help social enterprises to strengthen their Investment Readiness, the work here presented might give some hints of the effectiveness of this incentive, highlighting the strengths and / or weaknesses of a tool that can be of great help for social cooperatives. Nevertheless it must be noted that the low number of this first edition of the call, as well as the particularity of the period in which the renovation projects took place (most of them in the pandemic phase) constitute strong criticalities of this

experimentation (at the same time of the policy instrument and of the evaluation approach), which, in any case, will provide indications on the applicability of the concept of investment readiness for valuation purposes and a validation of the approach.

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