

COMPLEX NATURE OF THE EFFICIENCY OF SOCIAL INVESTMENTS IN BULGARIA

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Abstract: *Social investments implement non-economic criteria in investment decisions and thus change the long-term goals of business organisations. They have a long-term perspective and strive for sustainable and socially responsible results. While traditional investments are focused solely on economic profit, social investments promote, on the one hand, economic growth and profit and, on the other – investment in people and society. The article aims to illuminate the multifaceted nature of social investments' efficiency and show that the leading indicators of its effectiveness should be tailored to the actual needs of society and the social order. The report presents a three-stage process of implementing the social investments efficiency assessment, giving good examples from Bulgaria. The study also introduces a matrix of interaction between identified evaluation indicators, which creates prerequisites and conditions for the success of a business organisation.*

Keywords: *social investment, social policy, social partnership, efficiency*

INTRODUCTION

Social investment (SI) has been developing more and more actively in recent decades as a result of multiple factors, including the growing interest of various stakeholders in addressing social problems at the local, national or global level [1]. Social investors aim to preserve the economic return on their capital while providing incentives for businesses to function in accordance with the public good [2].

Others believe that SI should be aimed at cultivating social goals in the economy [3,4]. The implication is that each of these countries is interested in social development while seeking to remain directly engaged in economic development and financial returns [5].

The lack of clear definitions and indicators for collecting adequate data highlights the main problem in evaluating the efficiency of SI, social partnership (SP) and policy, namely its multi-vector and multi-level character [6].

EXPERIMENTAL

The main idea behind the SI is that investing in people and society leads to long-term and sustainable results for all stakeholders. To achieve optimal efficiency of SI, it is essential to establish clear definitions and correctly report the results. This will help social investors strike a balance between economic return on capital and social impact on individuals and society as a whole. Therefore, measuring the efficiency of SI is essential to ensure quality and achieve the desired results, which would also contribute to building a fairer and more inclusive society.

This report aims to identify the leading indicators that should be considered when evaluating SI from the perspective of society, social environment and business. An environment of active SI will create favourable conditions in which people will be responsible for preserving their well-being. Therefore, to reveal the complex nature of SI efficiency, first of all, it is essential to identify the correct indicators and stages for evaluating SI.

According to the authors of this report, the complex nature of social investment depends on several aspects. From this point of view, the research methodology conducted a content analysis, which is a scientific and systematic method for observing and analyzing information, and performs the following tasks: (1) identification of the main types of efficiency; (2) distinguishing SI from the position of society and business; (3) presenting a proposal for evaluating the efficiency of SI.

RESULTS

The analysis allows *three main types of efficiency* to be deduced:

Efficacy = The result obtained / The goal set (an activity which allows the achievement of the desired results).

Economy = The result obtained / The resources spent (an activity which allows obtaining results with fewer costs).

Expediency = The set goals / Real social problems (an activity which allows solving real social problems) [7].

Each *type of efficiency* can be considered at the next level of analysis: (1) Efficiency of the individual social action (specific event) with a particular target group; (2) Efficiency of the company's overall social activity towards all target groups for a certain period (e.g. a year); (3) Efficiency of the positioning of a given business in society and its social environment (a set of target contact groups) at the local, regional and national levels [8].

SI can be directed to the internal environment of the company (increasing the competence of employees; labour protection; safety technology; development of corporate culture) or to the external organisational environment (improvement; environmental protection; housing and communal services; social support and protection of some groups of the population; support and development of health care; education; culture). Therefore, the efficiency of SI, SP and policy can be evaluated from two main positions: (1) *for society* (set of previously unavailable goods; number of people who receive them; and as a result - own amount of costs for SI and SP); (2) *for the business* (what do these costs give to the business itself - reaching greater fame, improving public opinion, increasing financial indicators, capitalisation).

The indicators of the efficiency of external SI and SP from the positions of society are presented in Table. 1.

Table 1: Indicators of efficiency of external SI and SP from the standpoint of society, % year

SI groups	Guidelines for the development of SI	Unit of measurement
Development of the material environment	Landscaping; environmental protection; housing and communal services; social support and protection of population groups, etc.	number of people; thousands of BGN; thousands of BGN/person
Social and humanitarian development	Social assistance. Education. Culture and art. Healthcare. Sport, healthy lifestyle.	number of people; thousands of BGN; thousands of BGN/person.

Source: author's design [8]

The indicators of internal SI, evaluated from the point of view of the social environment (SE), are shown in Table. 2, and those for internal (for the business market environment) SI, determined by the position of the business itself - in Table. 3.

Table 2: Indicators of internal SI assessed from the perspective of the SE

Internal SI	Indicators	Unit of measurement
Human capital	Wage growth. Growth of competence. Safety and health at work. Development of corporate culture.	number of people; thousands of BGN; thousands of BGN/person.

Source: author's design [8]

Table 3: Indicators of internal (for the business market environment) SI determined by the positions of the business itself

Internal SI	Indicators	Unit of measurement
Customer	Warranty repair and return. Awards and honors. Absence of claims.	Number of cases
Good business practices	Absence of claims. B2B. Joint initiatives with competitors.	Number of cases

Source: author's design [8]

The efficiency indicators of external SI and SP, presented according to the views of business entities, are reflected in Table. 4. All indicators, presented in Tables 1 to 4, can be compared with the average indicators by industries, regions and the country as a whole. The evaluation systems for SI, SP and policy use standard data on the company's social policy and do not imply additional research. Ideally, such measurements should be aligned with the real needs of society, with the social order. Otherwise, SI can be inappropriate - both in terms of nomenclature and volume.

Table 4: The performance indicators of external SI and SP according to the business itself

External SI	Indicators
<i>Publicity</i> – fame and recognition	Growth share of SI for a certain period in %
<i>Relations</i> – relations with contact audiences	Increase/decrease in the share of SI for a certain period in %
<i>Activity</i> – sales growth (sales volume) and other indicators	Growth share of SI for a certain period in %

Source: author's design [8]

When using performance pointers and indicators, the following should be considered: - *the phenomenon of saturation* - SI in only one factor cease to influence the change in the final result and the efficiency of the invested funds upon reaching some threshold value; - *the possibility of replacing one factor with another* - based on the priorities of employees and a sharp increase in efficiency, explained by the complexity of SI [9].

The proposal for *evaluating the efficiency of social investments* can be presented in *three variants*:

(I) from the aspect of the growth of the dynamics of SI and the development of SP. The advantage of this option is the focus on stimulating the increase in the volume of expenses for corporate social policy [10]. The disadvantage is the possibility of an unjustified increase in SI. Their orientation may not correspond to the actual social needs for the development of the company and the region;

(II) comparison of average costs for internal and external SI and SP. The assessment procedure is simplified. The level of performance is established - lower or higher than the normatively set objective [11]. But this option provides an opportunity to legitimize and legalize existing practices without setting target orientations for solving real problems in the field of social development;

(III) development of optimal (target) normative indicators for internal and external SI and evaluation of their efficiency by comparing the achieved level with the target set values [12,13]. This implies the determination of priority tasks for social development (at the same time applicable to a relevant region or organisation), in other words, the formation of social order.

It can be seen that the *third* option is the most complete and complex. Depending on specific situations and tasks, applying the other two is justified. In addition, it is possible through options *I* and *II* to accumulate a sufficient amount of primary company data, thanks to which average and target normative indicators can be produced through benchmarking. Option *I* can provide a basis for accumulating such information.

DISCUSSION

The practice from Bulgaria shows that there is a way to implement the evaluation of the efficiency of SI, SP and policies in three stages (with the development and expansion of the database):

I - evaluation of efficiency based on the dynamics of costs for internal and external SI, SP and policies;

II - identification of average indicators in the main areas (vectors) of SI, SP and policies, considering regional and sectoral features of business activity and social development;

III - identification of target standards and development of a mechanism for their clarification and systematisation based on the requirements for the formation, adoption and implementation of public order.

At stage I, a methodology can be applied, oriented to the assessment of the dynamics of SI indicators, SP and policies, allowing to evaluate and compare SI and the development of SP outside of the dependence on the profile and scale of the company's or organisation's activity [14]. The basis for such a comparison is the allocation of base scores (weights) according to the main directions of social policy. Real points can be determined in proportion to the dynamics of these indicators (as %) over a certain period of time. In this case, the evaluation result is the sum of the points collected. This variant of the methodology is applied by the Employer of Choice organisation when creating the regulation for the Employer of Choice Awards competition, with the first edition in 2020, where an international jury with a representative from Bulgaria evaluated projects related to the management and improvement of the employer brand [15]. According to a study by Employer of Choice, the most preferred employers in Bulgaria according to the criterion of CSR programs for 2021, awarded in the competition of the same name, are: Fantastico Group in the category "CSR activity/program" with the current topic - "Pandemic Support Package", and Hristo Arabadzhov from Kaufland Bulgaria's team received a prize in the individual category "Special merits in the development of the employer brand". One year earlier (2020) - "Kaufland Bulgaria's contribution to Bulgarian nature" received first prize for the CSR program, and in the individual category "Special merits in the development of the employer brand", Kaufland Bulgaria has another victory in the person of his Employer Brand Manager – Mila Valkova [15].

The transition from stage I to stage II and then to stage III is accompanied by accumulating a substantial information base. A serious problem is related to the selection of endpoints according to which calculations can be performed to reveal correlation and determine the saturation point. In the proposed performance evaluation methodology, the use of the following indicators is suggested:

- the ratio of the growth rate of wages to the growth rate of labour productivity for the compared periods;
- turnover of human resources in the organisation for the reporting period;
- change in the capitalisation of the company, including at the expense of the valuation of intangible assets.

It seems appropriate to introduce an integrated indicator - social costs per employee, including wages, social payments, price of a social package, etc. [16]. This makes it possible to compare social working conditions, both regionally and sectorally.

All the recalculated indicators above can be systematized into four main groups, each of which should be related to the four fundamental values of SI and social policy (Fig. 1):

- (1) *Care* - the internal SI evaluated from the society's position: SI in human capital, including costs for increasing the competence of employees; labour protection and their health; development of corporate culture.
- (2) *Integrity (honesty)* - the internal SI, evaluated from the position of the business itself: SI in developing relations with consumers; partners; investors, creditors, competitors, etc.;
- (3) *Compassion (corporate citizenship, influence, empathy)* - external SI and SP, presented from the perspective of society: SI in the development of the physical environment (ecology, public works, housing and communal services, as well as social and humanitarian evolution (health care, education, culture and art, sport, healthy lifestyle, etc.) The questions refer to the corporation's ability to establish and maintain its relationships with the social environment.
- (4) *Success* - the external SI and SP represented by the position of the business: increase in its fame, recognition and respect; stability and development of final production results [8].

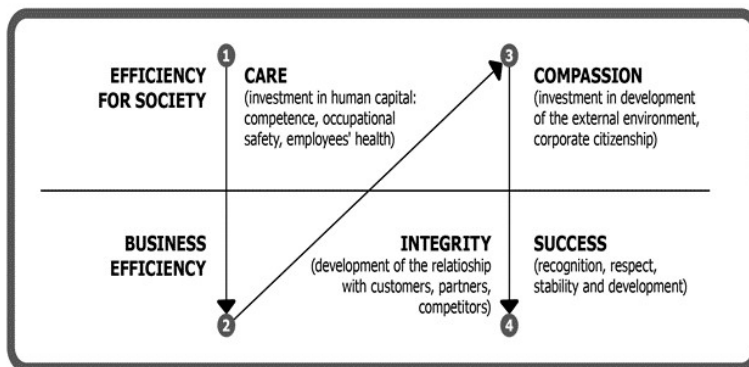


Figure 1: Matrix of the interaction between the groups of indicators for evaluation of the efficiency of SI, partnerships and policies. *Source: author's design [8]*

The matrix demonstrates the path (sequence) to achieve optimal efficiency of SI, partnerships and policies: staff care; good business practices and corporate citizenship [17]. All this put together creates prerequisites and conditions for the success of a business organisation, as well as its positioning in society (image and prestige) and its final economic results [18].

CONCLUSION

Efficiency indicators include efficacy, economy and expediency, which can be considered at different levels - from individual social action to the overall social activity of the company or the positioning of the business in society. At the same time, evaluating the efficiency of external and internal SI is a challenge due to the stated multi-level nature of this process and the different performance indicators that must be tailored to the real needs of society and business.

The study recommends systematising the different evaluation indicators identified during the author's content analysis and good European practices in four main groups related to the four primary values of SI and social policy: *care, integrity, compassion, and success*. *The matrix for the interaction between the different groups of indicators in evaluating the efficiency of SI, partnerships and policies*, developed based on these values, finds consistency, the achievement of which would lead to the realisation of optimal efficiency.

The focus should be on factors such as staff care, application of sound business practices and active citizenship, creating conditions for the success of the business organisation and shaping its public image and prestige, as well as, last but not least, its economic results.

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