

Expanded abstract

Company Valuation in entities of the Social Economy. Expected Social Value of the Basque Country Mining Museum

The generation of social value is an aspect that has gained importance, not only in social entities but also in commercial ones. Despite this, some instruments, such as the valuation of companies, do not consider the inclusion of a social perspective. This perspective is important for all entities, but especially for non-profit organizations, since their purpose is primarily social and not that of generating economic value.

The aim of this paper is to respond to this lack of social inclusion in the area of business valuation. This paper demonstrates how a social value can be introduced and measured through the Integrated Social Value (ISV) of social accounting, as a differential factor in business valuation models. Thus, the Expected Social Value (ESV) is calculated from the ISV, which is incorporated into the calculation for updating future flows. Incorporating variables beyond the classic economic-financial ones in the valuation of companies allows any entity to show its social valuation in a more comprehensive way, but especially those in the social economy whose primary function is of a social nature. Progress towards this approach will encourage decision-making based on social aspects, not just economic ones.

This proposal, which is framed in social accounting, monetizes the social value of organizations from the perspective of the stakeholders, that is, in a holistic way with the perspective of those who are the beneficiaries of the social value (see Retolaza et al., 2016; San-Jose and Retolaza, 2016 and Retolaza and San-Jose, 2018, for a more complete explanation).

The methodology used is that of a case study, specifically, that of the Basque Country Mining Museum. In 2016, the museum undertook a training process using *action research* methodology called: “*Action research* Training: (Social) Assessment of the Basque Country Mining Museum”, which aimed to incorporate the process of social accounting known as the SPOLY methodology to quantify the value of the museum from a social perspective. The data obtained at that time have been updated in order to present results adapted to the current context. Thus, calculations have been made based on the values corresponding to the last three fiscal years, that is, 2017, 2018 and 2019, and these are used to calculate the Integrated Social Value of three years (2017, 2018 and 2019). These values have then been projected for the following 5 years, a continuity value estimated, and any necessary update or discount of future flows carried out.

In this way, the valuation of the museum has been carried out from a socially generated and expected value, and not based solely on economic-financial variables. Thus, the social income measured through the ISV, which includes the market and non-market value, can be used to

establish not only what an entity is generating socially, but what it can generate for the future. Its update gives us the Expected Social Value, that is, the value of the museum as an entity, this being a measure more in line with its social purpose.

The results obtained from the application of the methodology lead us to conclude that the museum's value stands at € 11,453,652€ based on a long-term horizon of 15 years. It should be noted that the museum has been operating for more than 15 years, and at all times we have worked within prudent guidelines with the continuity of its work based on current parameters.

We conclude that it is possible, and advantageous, to use company valuation techniques in non-profit entities; the valuation can be used in terms of communication and management, as well as for building trust in the social value, thus showing a commitment to society.

We also contribute to the valuation theories of companies by opening horizons towards social rather than just economic-financial aspects, generating value towards stakeholders (workers, suppliers, clients) reflected in the creation of value for society, and not just from the perspective of value generated for those who contribute capital. Finally, it should be noted that this proposal should not be limited to social enterprises. This paper opens the way to using this adaptation of the valuation of companies not only in non-profit entities but also in all types of entities, regardless of their legal form, their social character, their governance or their public affiliation.

The contribution of this paper has been twofold. On the one hand, our contribution has academic value since it demonstrates that it is possible to carry out assessments using not only economic but also social variables. On the other hand, it offers a practical contribution, since it enables the expected social value of an entity to be determined through social accounting, leading to a clearer understanding of the role of the entity, and, therefore, enabling comparisons to be made with other companies in a dimension other than an economic one.

The main limitation to this study comes from the fact that it is based on only one case study. In addition, the ISV itself has limitations, one of which is the use of proxies to monetize the variables of social value generated for stakeholders. Also, it may be necessary to analyse whether there are other social income variables that can be applied in a complementary way, or might substitute those proposed. In addition, issues such as the discount rate to be used in the assessment of non-profit organizations can be open to debate and, therefore, may require a more in-depth analysis.

Regarding future lines of research, firstly, mechanisms should be established to agree on the proxies to be used. For this, work groups or user communities could be effective, with a sample of entities from each sector participating, in order to reach consensus on the amounts to use and apply. Secondly, it would be desirable to have more organizations who apply these valuation techniques in order to confirm that the Expected Social Value is applicable in different organizations. Finally, a future analysis is recommended of the impact on non-profit organizations that a change of perspective such as this could have as a result of other entities being valued in terms of their social value. This could help to influence global understanding, and offer other approaches in terms of valued generated between mercantile companies and the social

economy, which to date has simply been seen as economic. The Expected Social Value may thus be a mechanism for communication, future projection or global comparison.

Keywords: Monetization of Social Value, Valuation of firms, Non-Profit Organizations, Expected Social Value (ESV), Social Economy Indicators and Social Accounting.