Social Return on Investment (SROI) Analysis

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SROI

- Your activities create and destroy value
- Your activities change the world around you
- SROI is a framework for measuring and accounting for this much broader concept of value
- SROI is about value, rather than money
- SROI is about economic, environmental and social value


Flood


SALVATORE
FERRAGAMO
FLORENCE
MADE IN ITALY

Principles of SROI analysis

- (1) Involve your stakeholders
- (2) Understand what changes
- (3) Value the things that matter
- (4) Only include what is material
- (5) Do not overclaim
- (6) Be transparent
- (7) Verify the result

Questions to ask in SROI analysis

- (1) Who changes as a result of your activities?
- (2) How do these people or organizations change?
- (3) How do you prove that these people or organizations have changed?
- (4) Which changes are the most valued?
- (5) Are the changes down to you?
- (6) Who decides?
- (7) How far do you need to go to get meaningful answers?

6 stages of SROI analysis

- (1) Establish scope and identify key stakeholders
- (2) Map outcomes
- (3) Evidence outcomes and give each of them a value
- (4) Establish value
- (5) Calculate the SROI
- (6) Report, use and embed the SROI

SROI in action

- (1) Strategic planning
- (2) Managing activities
- (3) Communicating value
- (4) Attracting investment or making better investment decisions
- (5) Making it the way of thinking

Misconceptions of SROI

- (1) SROI is all about money
- (2) SROI is always time consuming, expensive, and impossible without external support
- (3) Organizations or programs/projects can be compared using the SROI ratio
- (4) SROI is just for the not-for-profit sector

Social Return on Investment - The Impact Map

SROI Network

Spreadsheet for developing SROI analysis. Only to by used as part of SROI Network training. The spreadsheet does not include any guidance

Organisation				**Name**	
Objectives				**Date**	

Scope	**Activity**		**Objective of Activity**		**Time Period**	
	Contract/Funding/ Part of org'		**Purpose of Analysis**		**Forecast or Evaluation**	

SROI value map: Scope

- What is your activity?
- What is the underlying theory of change for the objective of your activity?
  - Theory of change: How do you make a difference?
- Are you doing a forecast or an evaluation of your activity?
- What is the time period of your activity that is being analyzed?

Stage 1			Stage 2				Stage 3								
Stakeholders	**No in group**		**Inputs**		**Outputs**	**The Outcomes (what changes)**									
Who do we have an affect on? Who has an effect on us?	In group	Involved in process	What do they invest?	What is the value of the inputs in currency *(only enter numbers)*	Summary of activity in numbers	Description	Indicator	Source	Quantity	Sample size used	Duration	Outcomes start	Financial Proxy	Value in currency	Source
						How would the stakeholder describe the changes?	How would you measure it?	Where did you get the information from?	How much change was there?	Sample size used to determine quantity	How long does it last after end of activity? (*Only enter numbers)*	Does it start in period of activity (1) or in period after (2)	What proxy would you use to value the change?	What is the value of the change? (*Only enter numbers)*	Where did you get the information from?
Total				0.00											

SROI value map: Stakeholders

- Your stakeholders are the people or the organizations that affect or are affected by your activity
- What do you think changes for each one of your stakeholders?
- Do we need to include every stakeholder?

SROI value map: Inputs and outputs

- Inputs are the things that your stakeholders contribute in order to make your activity possible
- What do your stakeholders invest?
- What is the value of the inputs in monetary terms?
- Outputs are a quantitative summary of your activity

SROI value map: Outcomes

- As a result of the outputs that you deliver, there are consequences or outcomes
- An outcome is what changes as a result of your activity
- Ask your stakeholders what they think did change (or will change) for them
- Saturation: Keep asking your stakeholders until you no longer hear different things
- How many stakeholders do you involve?

SROI value map: Outcomes

- (1) Description: How does your stakeholder describe the change?
- (2) Indicator: How do you measure the change?
- (3) Source: Where do you get the information from?
- (4) Quantity: How much change is there?
- (5) Duration: How long does the change last after the end of your activity?

SROI value map: Outcomes

- (6) Outcome starts: Does the change start during the period of activity or thereafter?
- (7) Financial proxy: What proxy do you use to value the change?
- (8) Value in currency: What is the monetized value of the change?
- (9) Source: Where do you get the information from?

SROI value map: Outcomes

- Identify the chains of dependent outcomes
- Decide how far along each chain you will go
- Determine how many of your stakeholders will experience each chain
- Identify the point of each chain to analyze

SROI value map: Outcomes

- Outcomes should be screened for materiality
- Material outcomes are those that influence the decisions, actions and performance of your organization or your stakeholders
- Materiality has two dimensions
  - (1) Relevance
  - (2) Significance

Stage 4

Deadweight %	Displacement %	Attribution %	Drop off %	Impact
What would have happened without the activity?	What activity did you displace?	Who else contributed to the change?	Does the outcome drop off in future years?	Quantity times financial proxy, less deadweight,displacement and attribution
0%	0%	0%	0%	0.00
0%	0%	0%	0%	0.00
0%	0%	0%	0%	0.00
0%	0%	0%	0%	0.00
0%	0%	0%	0%	0.00
0%	0%	0%	0%	0.00
0%	0%	0%	0%	0.00
0%	0%	0%	0%	0.00
0%	0%	0%	0%	0.00
0%	0%	0%	0%	0.00
0%	0%	0%	0%	0.00
			Total	0.00

Calculating Social Return

Discount rate		3.5%			
Year 0	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00

SROI value map: Deadweight

- Deadweight
  - Would the outcome have happened anyway without you?
  - If so, what % of the outcome would have happened anyway?
  - You need to look at the trend before your activity begins
  - You need to study a control group

SROI value map: Displacement

- Displacement
  - Has your activity just resulted in a move, not a net change?
  - If so, what % of the outcome is just a move?
  - Has your activity replaced another activity that would have resulted in some of this outcome?
  - Has your activity just moved the outputs around, rather than created a net change?

SROI value map: Attribution

- Attribution
  - Has anyone else contributed to the achievement of the outcome?
  - If so, what % of the outcome is not yours?
  - You need to consult your stakeholders
  - You need to consult other organizations
  - You need to analyze other organizations' expenditures and outcomes

SROI value map: Drop-off

- Drop-off
  - If the duration of the outcome is longer than that of your activity, does the outcome continue at the same level in future years?
  - If not, by what % does it drop each year?
  - If the time span of the outcome is just 1 year, then drop-off is not applicable

SROI value map: Impact value and SROI

- Impact value = Outcome - Deadweight - Displacement - Attribution

- SROI = Total impact value ÷ Total input

Valuation methods

- (1) Cost- or saving-related methods
  - (1a) Change in money
  - (1b) Change in resource availability
- (2) Value-based methods
  - (2a) Stated preference
  - (2b) Revealed preference

(2) Value-based methods

- (2a) Stated preference: Ask your stakeholders directly about the outcome and what it is worth
- (2b) Revealed preference: Explore other things that your stakeholders pay for in order to get this outcome

(2a) Stated preference

- Contingent valuation: Ask your stakeholders directly about the outcome and what it is worth
- Willingness to pay: How much your stakeholders are willing to pay to have something
- Willingness to avoid: How much your stakeholders are willing to pay to avoid something

(2a) Stated preference

- If the value is not a real cost or saving, and does not have a market place value, then value the outcome by reference to a choice of things that do have market place values
- Get your stakeholders to play the value game (i.e., choice modeling)

(2a) Stated preference: Value game

- Always know what are important to your stakeholers
- What do your stakeholders use/need?
- Choose products that are related to your stakeholders' lives/needs/environments
- Offer your stakeholders 5 to 10 alternative products
- Keep the period of value of the products similar to the period of value of the outcome

(2b) Revealed preference

- Use average spend by others to reveal the value of the outcome
- Does the difference in comparable house prices reveal the value of a better school?
- Does the average spend on health insurance reveal what it is worth to know that one gets good healthcare if one is ill?
- Does the average spend on security reveal what it is worth to feel safe in one's home?

(2b) Revealed preference

- Does the cost to an individual of membership in an interest group reveal the value of socializing in a group?
- Do private counseling rates reveal what it is worth to have more self-confidence?
- We need to do some research to gather such data

Future value

- If the duration of the outcome may be longer than that of your activity:
  – We need to determine the duration of the outcome
  – For year 2 and beyond, we need to determine the drop-off in the value of the outcome for each year
  – For year 2 and beyond, we need to discount the future value of the outcome for each year, to derive the present value of the outcome for that year

Example 1: ASKI Global

- Evaluated program: Financial education program for migrant workers
- Theory of change: Program participants will be able to take control of their finances, determine their financial goals, and develop their financial plans
- Material stakeholders: Migrant workers who participate in the program

Example 1: ASKI Global

- Articulated positive outcomes:
  - (1) Change in savings habits
  - (2) Cultivation of financial discipline
  - (3) Adoption of financial management best practices
  - (4) Increased motivation towards financial empowerment
  - (5) Enhanced confidence in business endeavors

Example 1: ASKI Global

- Articulated negative outcomes:
  - (1) Lack of value add
  - (2) Overconfidence, resulting in bad investments
- Valuation method: Change in money method

Example 2: Bizlink Centre

- Evaluated program: Work therapy program for individuals with intellectual disabilities who are not yet ready for employment
- Theory of change: Program participants will be able to transition into sheltered employment, and integrate socially into the community without institutional care

Example 2: Bizlink Centre

- Material stakeholders:
  - (1) Program participants
  - (2) Program participants' caregivers
  - (3) Program staff

Example 2: Bizlink Centre

- Positive outcomes experienced by participants:
  - (1) Improved social skills
  - (2) Improved self-management
- Valuation method:
  - Revealed preference method

Example 2: Bizlink Centre

- Positive outcomes experienced by caregivers:
  - (1) More time to engage in gainful employment opportunities
  - (2) Reduced need to employ domestic worker
- Valuation method:
  - Change in money method

Example 2: Bizlink Centre

- Positive outcome experienced by staff:
  - Creativity in the workplace
- Valuation method:
  - Revealed preference method

Words of wisdom

- John Maynard Keynes
  - It is better to be vaguely right than precisely wrong
- Aristotle
  - It is the mark of an educated mind to rest satisfied with the degree of precision which the nature of the subject admits, and not to seek exactness where only an approximation is possible

Social Value UK

- http://socialvalueuk.org