



The fundamentals of SROI Analysis

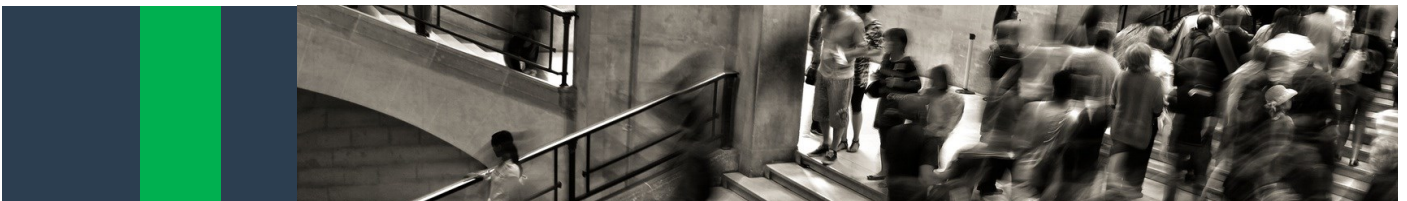
Our vision is to make Sustainable Business a Choice
for companies and organizations around the world



Social Return on Investment (SROI) is a framework for measuring value that is not directly reflected in financial statements, including social, economic and environmental factors. SROI presents how social, environmental and economic outcomes create impact, measures the value created and uses financial terms as a common denominator to express this value. SROI methodology is a consistent and holistic approach that helps organizations account for the impact they create and allow them to make more informed decisions, ultimately maximising the investments they and their stakeholders are making for every initiative.

Responsible companies create value across their operation chain in many ways. For many organizations however, the real benefits of the social value created remain unclear. Most organizations still struggle to identify and quantify the impacts their initiatives have on their stakeholders.

**SROI is a tool to help organisations answer the fundamental question:
“How much value are we creating?”**



SROI can be viewed as a set of principles that are applied in a framework. These principles are:

- Involve stakeholders
- Understand what changes
- Value the things that matter
- Only include what is material
- Do not over-claim
- Be transparent
- Verify the result

The process of carrying out SROI analysis is composed of several stages. Each one brings us a step closer to creating and realizing social value. These steps are complementary; not a single stage in the process can be regarded as more important than others.

- 1. Establishing scope and identifying key stakeholders** – This is the very first step that sets clear boundaries about what your analysis will cover, who will be involved and how. Identifying the key stakeholders as well as their role throughout the process is of utmost importance.
- 2. Mapping outcomes** – This stage implies engaging with stakeholders and developing an impact map, which shows the relationship between inputs, outputs and outcomes. This process is titled “Theory of Change”.
- 3. Evidencing outcomes and giving them a value** – During this stage you should find data to show whether outcomes have happened and then assign financial proxies to the identified outcomes.
- 4. Establishing impact** – At this stage it is of crucial importance to determine whether those aspects of change would have happened anyway or are a result of other factors that are not taken into consideration.
- 5. Calculating the SROI** – This stage requires you to add all benefits, subtract any negatives and compare the result to the investment. This is also where the sensitivity of the results can be tested.
- 6. Reporting, using and embedding** – It is of great importance to inform stakeholders about the results of SROI analysis. At this stage you should share findings with stakeholders, embed good outcomes processes and report verification. At this stage you also determine the real value for the organisation and stakeholders and the degree the said initiatives support strategy.

Social Return on Investment – The Impact Map

Organisation				Name																																	
Objectives				Date																																	
Scope				Activity		Objective of Activity		Time Period																													
				Contract/Funding/Part of organisation		Purpose of Analysis		Forecast or Evaluation																													
Stage 1		→		Stage 2		→		Stage 3		→		Stage 4		→																							
Stakeholders		Intended / unintended changes		Inputs		Outputs		The Outcomes (what changes)										Deadweight %		Displacement %		Attribution %		Drop off %		Impact		Action Plan									
Who will we have an effect on? Who will have an effect on us?		What do we think we will change for them?		What will they invest?		Value £		Summary of activity in numbers		Description on		Indicator		Source		Quantity		Duration		Financial Proxy		Value £		Source		What would have happened without the activity?		What activity would we displace?		Who else would contribute to the change?		Will the outcome drop off in future years?		Quantity times financial proxy, less deadweight, displacement and attribution		What needs to be done?	
										How would we describe the change?		How would we measure it?		Where did we get the information from?		How much change will there be?		How long will it last?		What proxy did we use to value the change?		What is the value of the change?		Where did we get the information from?													
																										0%		0%		0%		0%		£0,00			
																										0%		0%		0%		0%		£0,00			

Example of Impact Map. The impact map is the foundation on which the SROI analysis is based on and serves as a reference for assessing progress over time and performance of programs and initiatives.

There are many benefits that SROI analysis generate for an organization and can fulfil a wide range of purposes. SROI can be used as a strategic planning tool, a communicating tool and an investment decision making tool. The use of SROI can aid a company in multiple ways: a) to maximise the value it creates; b) to involve the people who matter most, c) to gain a competitive advantage, d) to enhance communications, both internally and externally, e) to attract investors and f) to raise a company's profile.

There are two types of SROI:

- i. Evaluative that is conducted retrospectively and is based on actual outcomes of an activity that has already taken place.
- ii. Forecast that predicts how much social value will be created if the intended outcomes are realized through a future activity.

The process of SROI can be seen in the analysis of the "House Renovation" program. The "House Renovation" program took part in Jordan and according to the SROI analysis conducted, for every JOD 1 invested in this program, around JOD 2.03 of social value was created.

the "Girls are on the Soccer Field" Academy, is part of the "Girls are on the Soccer Field" program which took place in Turkey with the aim to empower women of all ages. The result of the SROI analysis is calculated as 1:12.45 which means that for every 1 TL invested generates a value of 12.45 TL for society.

The "Le Chéile" mentoring program that took place in Ireland, had as purpose to reduce youth crime, and managed to reduce offending behavior by an average of 28%. The SROI analysis conducted demonstrated that for every € 1 the government and EU invested in "Le Chéile", there was a return of € 4.35.

The "Ageing Well" program, by Timebank Barnet in UK, aimed to reduce demand for adult social care services by encouraging and helping people to live independently in their homes and society. The program was deemed a success and the SROI analysis performed for the period 2015-2017 showed that for every £ 1 spent, £ 9.34 of social value was created.

SROI analysis requires a mixed set of skills and is complex and demanding process. Some of the challenges of SROI that organizations may encounter are the following:

- **Attaching financial proxies to the changes observed** - It can be challenging to assign quantitative value to certain outcomes
- **Identifying and determining impact indicators** - The challenge of defining impact indicators for the project in which SROI has been introduced, however, this challenge is not exclusive to SROI
- **Focusing on impact and disregarding the understanding of the process itself** - Focusing solely on the impact may be misleading since SROI analysis is a process that sometimes can produce fewer tangible benefits than expected which cannot be easily monetized or reported. The process itself has the potential to produce extremely useful results that can help organisations to restructure and improve their initiatives
- **SROI cannot prove direct causality** - This can occur due to the fact that SROI analysis cannot take into account all possible contributions and external factors to the outcomes achieved during the initiative and in the case of forecast SROI does not measure actual outcomes
- **SROI requires action** - The full potential of SROI is realized only when organizations applying SROI utilize this evidence based approach on outcomes, to improve their performance, process management and impacts!

Implementing evaluation and assessment tools always comes with challenges; SROI is not an exception and although SROI is not a comprehensive model, there is a spectrum of benefits that SROI can produce. Organizations can enhance Sustainability performance through SROI and by doing that, improve their image, forge stronger relationships with community stakeholders, redesign their CSR investment strategy and better measure the impacts of past, current and future initiatives. Undertaking SROI analysis has undeniably mutual benefits for organizations and direct stakeholders as well as society at large.

“SROI measures change in ways that are relevant to the people or organisations that experience or contribute to it. It tells the story of how change is being created by measuring social, environmental and economic outcomes and uses monetary values to represent them. This enables a ratio of benefits to costs to be calculated.”

Nicholls et al. *A Guide to Social Return on Investment*. (April 2009: Office of the Third Sector): 8

Sustainability Knowledge Group have a proven track record of helping organizations and companies conduct SROI analysis and communicate clearly its outcomes with their stakeholders. We can help you identify and understand the social value you create in addition to the financial value generated and by using structured methodology, we can help you improve your initiatives, capture and maximize the positive social impact you create.

References:

Sinzer: <https://sinzer.zendesk.com>

Social Value UK: www.socialvalueuk.org

The Canadian Community Economic Development Network (CCEDNet): <https://ccednet-rcdec.ca/en>

Sustainability Knowledge Group is a global advisory firm dedicated to creating value, through strategic CSR and sustainability solutions. Sustainability Knowledge Group supports companies to develop, manage and measure effective tailor-made Sustainability and CSR programs which address social and environmental challenges while promoting corporate strategy. **Sustainability Knowledge Group** offers training, coaching and advisory solutions grounded in international theory and successful application, and focuses on proven methodologies that bring tangible results, measurable impact and create better businesses.



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