

# Social Return on Investment (SROI) - A Methodology

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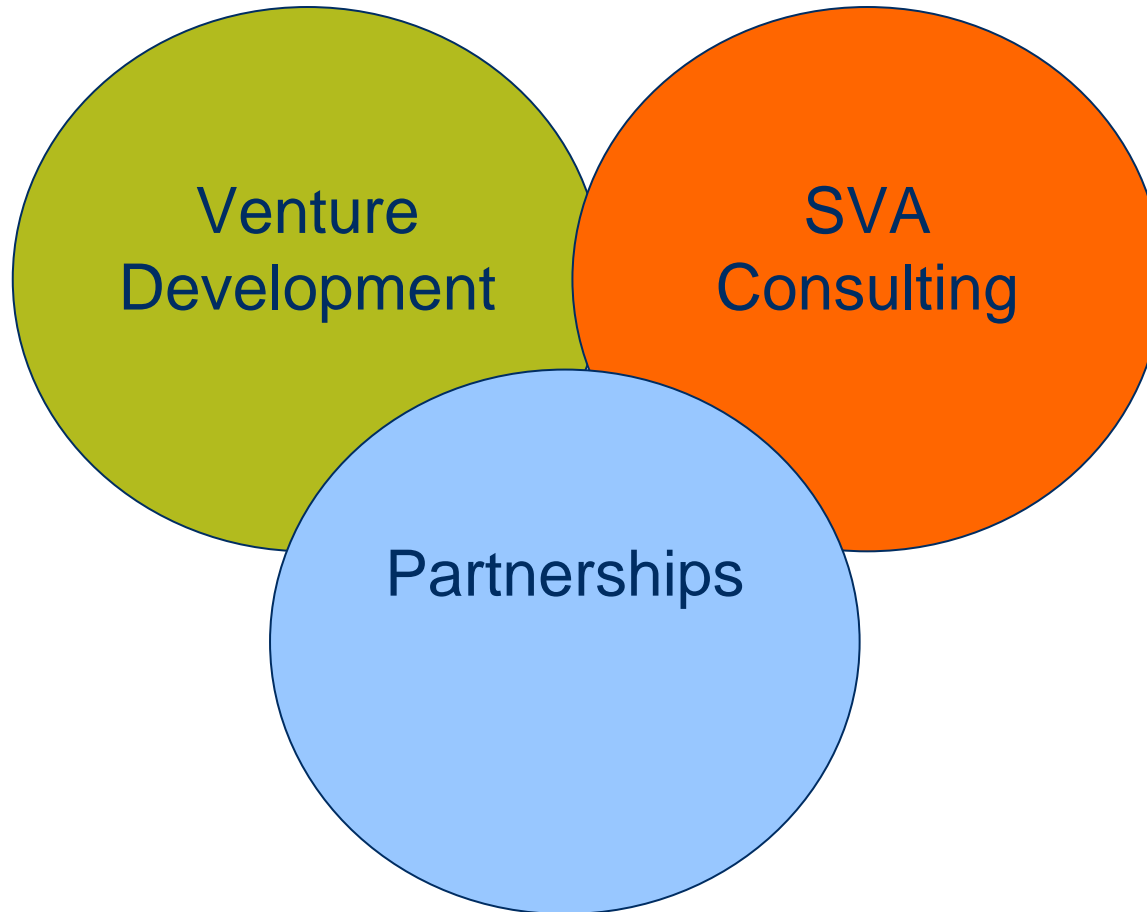
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# Contents

- The evolution of SROI
- The principles of SROI
- Case Studies



# The myths



# What is SROI?

- The Social Return on Investment (SROI) model is a method for:
  - understanding
  - measuring
  - reporting on the value that is created by an organisation / activity / service
- SROI examines an organisation's work and IMPACT across three areas:
  - Social
  - Economic
  - Environmental
- It attributes a value to each outcome using stakeholder engagement, research and common accounting and investment appraisal methods

# What is the result?

- An understanding of the “theory of change” for each stakeholder group
- A ratio that compares a valuation of outcomes to the investment required to generate it



## ... and is much more than just a number

- ... is a **story about the change created** by an organisation or program, which can include case studies, qualitative and quantitative information
- ... is a **framework for measuring and accounting for a broader concept of 'value'** than is captured in traditional evaluation analyses
- ... allows a calculation of a ratio that **compares the value of monetised outcomes to the investment** required to generate it
- ... can be used as a tool for:
  - Strategic planning
  - Communicating impact and attracting investment
  - Making investment decisions
  - Understanding what evaluation frameworks are needed for tracking outcomes

# SROI has been around for over a decade

- Jed Emerson, Harvard Business School, developed SROI for the Roberts Enterprise Development Fund
- European SROI Network was formed between 6 country members, including Scotland and Northern Ireland.
- In 2008 the Office of the Third Sector in the UK Government committed \$2m in funding to develop and support the Network
- A company, the SROI Network, was incorporated in 2007 with a consortia of members including New Economics Foundation (NEF), Charities Evaluation Services, the National Council for Voluntary Organisations and New Philanthropy Capital.



# Developing SROI in Australia

- SVA and CSI working to develop a SROI in Australia
  
- SVA Consulting - carrying out SROIs to the SROI methodology – over 32 SROIs since 2009

- Value generated by:
  - Entire organisation or just a specific activity, program
- Types: Baseline/ Evaluative and Forecast
- SROI is underpinned by principles

# How many principles are there?



# Principle 1







# Principle 3



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# Valuing outcomes: we can use a variety of different approaches and financial proxies to value outcomes

Savings to the public purse	Incremental benefits	Observed preferences	Reported preferences
<p>A cash expense for Treasury is reduced, or incremental income is raised through taxation</p>	<ol style="list-style-type: none"> <li>1) Additional economic activity eventuates</li> <li>2) Services used less</li> </ol>	<p>People are seen to do something different, thereby implicitly valuing the change</p>	<p>People are asked to place a value on the change</p>
<p>Examples:</p> <ul style="list-style-type: none"> <li>- Greater tax revenue</li> <li>- Less unemployment benefits</li> </ul>	<p>Examples:</p> <ul style="list-style-type: none"> <li>- Cash savings or incremental income to the public purse</li> <li>- Increased GDP</li> <li>- Increased income for individuals</li> <li>- Lower health care costs</li> <li>- Less incarceration</li> </ul>	<p>Examples:</p> <ul style="list-style-type: none"> <li>- Increased spending on social activities places a value on the alleviation of depression</li> <li>- Money no longer spent at the pub places a value on the improvement in a family dynamic</li> </ul>	<p>Example:</p> <ul style="list-style-type: none"> <li>- e.g. "I would have given my car away to have my kid stop taking drugs..."</li> </ul>

# Principle 4





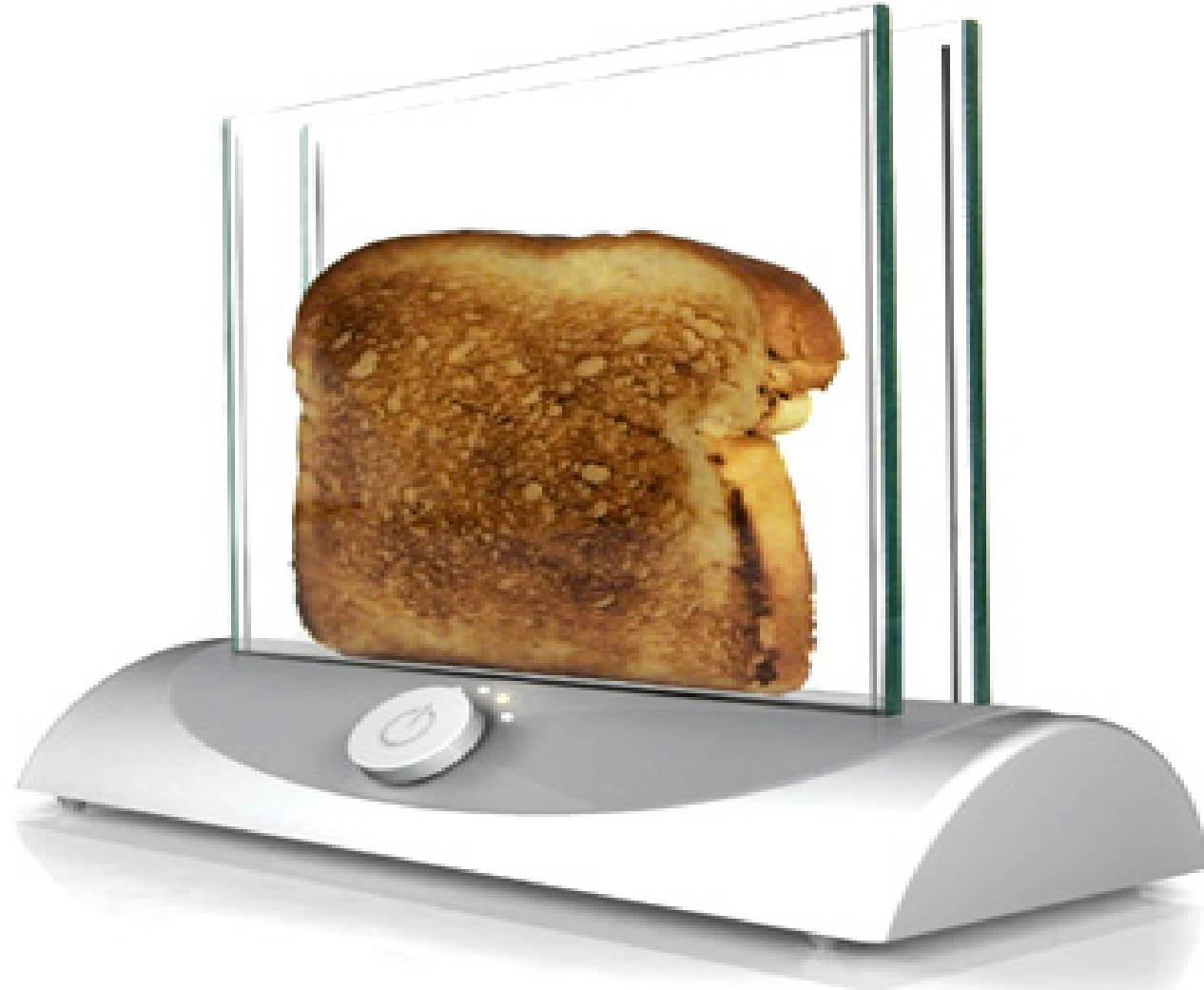
# Principle 5 – Don't over claim



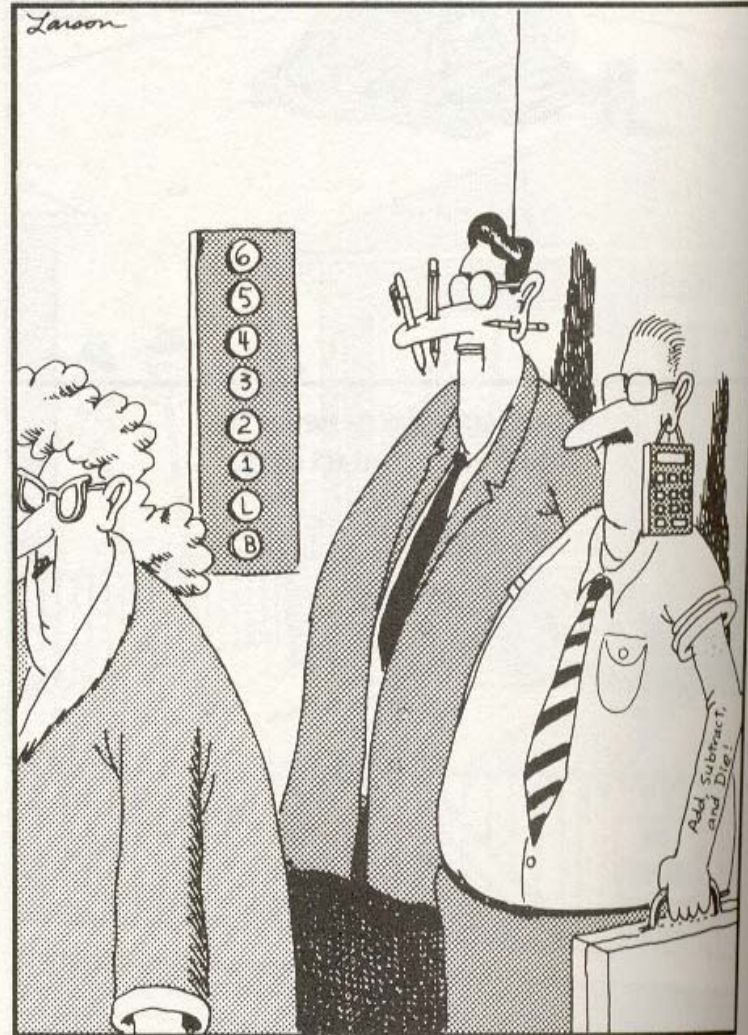
# Questions to ask so we don't over claim

- **How long was value sustained? (Drop off = DO)**
- **Who else contributed? (Attribution = A)**
- **What would have happened anyway? (Deadweight = DW)**
- **Are there any negative consequences? (Displacement = D)**

# Principle 6



# Principle 7



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Summary: A set of principles are applied to each SROI to ensure the integrity of the methodology and results

SROI Principles	
1	Understand what changes
2	Involve stakeholders
3	Value the things that matter
4	Only include what is material
5	Do not overclaim
6	Be transparent
7	Verify results

# SROI examples



# What are the benefits of SROI?

- A detailed understanding of everything that changes to your stakeholders as a result of your program
- An appreciation of what outcomes your organisation is responsible for achieving
- It can uncover areas of improvement for the program, e.g. clarity about the investment required, input into evaluation frameworks
- It speaks the language of investors
- It invites a conversation about how to better measure and value social, environmental and cultural outcomes

# When is SROI less useful?

- Judgments are required
- It can be difficult to value outcomes that can take a long time to manifest or require a long investment period
- The SROI ratio is one part of the story, and it can be misused
- It is not a tool for comparison



# Key points to remember

- Values outcomes
- Stakeholder focused
- Magpie – borrows best from other methodologies
- Very good framework for communicating what you do and for building relationships
- Constantly being improved – open source

[www.theSROInetwork.org](http://www.theSROInetwork.org)

[www.socialventures.com.au](http://www.socialventures.com.au)

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