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Social Return on Investment

Practice Guide

Social Return on Investment (SROI) is a method of understanding and calculating value beyond outputs and finances. It is used most widely in the non-profit sector, but is also being used in the public and corporate sectors, with the aim of understanding and calculating the "value" that initiatives and programs provide to stakeholders in the community.

SROI is a compelling approach to help you measure your success and improve your outcomes. It helps funders and stakeholders understand the greater value that their contribution to your organisation creates in the community.

Understanding and calculating value is becoming increasingly important. More boards, donors and grantors today want reassurance that they are investing in organisations and initiatives with real impact and outcomes that are valued by stakeholders. SROI recognises that value is subjective and involves social, economic and environmental impact. It uses a framework that helps organisations to measure change in ways that are relevant to the people or groups that experience or contribute to the particular organisation.

To commence an SROI analysis you need to:

a) Determine which SROI analysis will be most useful to you and the people who will read the final report.

b) Consider whether you have the time, skills and resources to conduct the analysis in-house or whether you need to engage a consultant to assist you.

You should consider the two types of SROI analysis to determine which one best suit your needs. **Evaluative SROIs** are conducted retrospectively and based on outcomes that have actually occurred, while **Forecasted SROIs** predict how much social value will be created if the organisation's activities or programs achieve the intended or proposed outcomes. These two types of SROI can be used internally when making decisions about the ongoing use of resources. They can be also be used to communicate publicly to donors and stakeholders about the impact the organisation is having. This can be useful when fundraising or seeking new grants and investments for programs.

An SROI analysis does require time and resources, but invariably the process will take a shorter amount of time if you already produce good outcomes data or have completed an appropriate amount of consultation with your stakeholders. The level of detail required to carry out an SROI really does depend on the purpose of the SROI. A short analysis for internal purpose will usually take less time than a report written for an external audience.

Whatever your aim or scope, you need to consider and adhere to a number of principles to ensure that there is some consistency and a shared language when talking about values. These principles have been developed by the SROI Network and guide the work of SROI practitioners and consultants.

The SROI Principles:

Involve Stakeholders. The SROI process should identify and consult with relevant stakeholders who help you to develop an impact map or theory of change.

Understand what changes. Listening to stakeholders will help you show the relationship between inputs, outputs and outcomes.

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Value things that matter. Once outcomes have been identified, you should develop outcome indicators and assess their relevance and importance by valuing them. If the outcomes are important to you, you need to find a way to measure them.

Only include what is material. For transparency, judgements about what is material (relevant and significant) to the SROI should be documented to show why information has been included or excluded.

Do not over claim. If you want the story of change to be credible, it must take into account things that would have happened without your organisation's input, negative impacts, and how much of the impact was caused by other organisations or people.

Be transparent. The methodology of the SROI process should be made clear and accessible to those using the results. Transparency enables people to trust the results and use them appropriately.

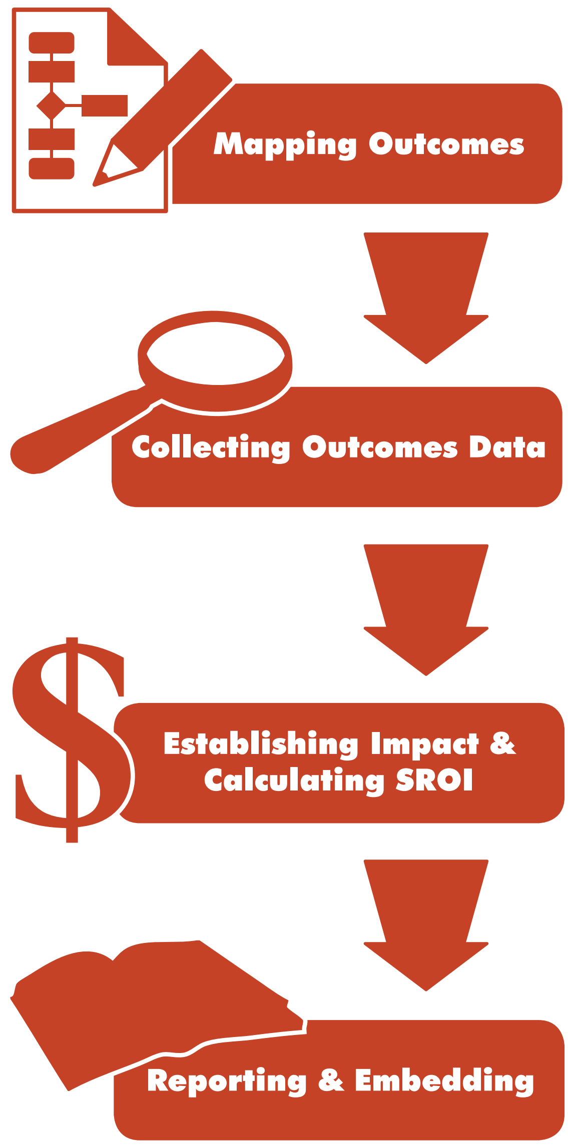
Verify the results. Results of your SROI should be reviewed by people who can validate your findings. This might include your stakeholders or an accredited SROI consultant.

To be useful, your SROI analysis needs to result in change. This change might be how you govern or run your activities, or how you communicate and build relationships with your funders and donors.

Investing the time and effort to conduct an SROI can help you facilitate strategic discussions and understand and maximise the social value an activity creates.

> *Different organisations create value in many different ways so SROI is a story not a number. The story should show how you understand the value created, manage it and can prove it.*
> The SROI Network

Key Stages of the SROI Analysis



This guide on SROI has been developed by using and adapting information from the book A Guide to Social Return on Investment (January 2012). Available from www.thesroinetwork.org