A guide to Social Return on Investment (SROI)
# Table of contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is Social Return on Investment?</td>
<td>3</td>
</tr>
<tr>
<td>Why should I be using it? (What are the benefits)</td>
<td>4</td>
</tr>
<tr>
<td>How do I apply SROI to what I do?</td>
<td>6</td>
</tr>
<tr>
<td>Principles that underpin SROI</td>
<td>6</td>
</tr>
<tr>
<td>SROI methodology</td>
<td>7</td>
</tr>
<tr>
<td>Where can I get further help and support for SROI?</td>
<td>12</td>
</tr>
</tbody>
</table>

**Please note**, throughout this guide, reference is made to ‘activity’ or ‘activities’. These words are used throughout for consistency in content and are intended to cover a range of organisational ‘activities’ that would be relevant to conducting an SROI, such as projects, campaigns, interventions, service delivery and marketing content.
What is Social Return on Investment?

All of our actions and activities change the world around us (i.e. a particular course of action will have consequences).

This change can either be intended or unintended. For example, if I drop a mug of hot coffee to stop myself from burning my hand, it will lead to the following consequences: prevention of my hand from burning (intended consequence), mug breaking on the floor (unintended consequence) and spilling of hot coffee on the floor (unintended consequence).

These changes will also either create or destroy value. ‘Value’ means the benefit, impact or worth that an action creates. Until recently, ‘value’ has most often been understood to mean purely economic or monetary value, such as a marketing campaign (activity) leading to an increase in sales of a product (outcome) and a £10,000 profit (‘value’).

However, in an increasingly purpose-driven and customer-conscious world, ‘value’ needs to consider not only the economic value, but also the social and environmental value of our actions. This is where Social Return on Investment (SROI) comes in.

Put simply, SROI is an outcomes-based measurement framework that helps organisations to understand and quantify the social, environmental and economic value they are creating – or in some cases, destroying. It is about ascribing and providing a VALUE to what matters (i.e. a particular change in customer behaviour, or change wider health, social and environmental issues).

Ultimately, SROI will generate a key ratio of benefits:costs for an action or activity – for example, if an activity has an SROI ratio of 3:1, it delivers £3 worth of social/environmental value (benefits) for every £1 put in to do the activity (the cost).

Definition

SROI

A system to measure changes in ways that are relevant to people and/or organisations that experience or contribute to it. It tells the story of how change is being created by measuring the social, environmental and economic outcomes, using monetary values to represent them.


Definition

Social value

The quantification of the relative importance that people place on the changes they experience in their lives. It encompasses any change that affects a person’s quality of life, such as health, well-being, or sense of community.

2 Social Value UK: http://www.socialvalueuk.org/what-is-social-value/
Definition

Environmental value
The quantification of the relative importance that people place on the changes or impacts from an activity on the wider environment (can be at local, national and international levels; built environments or natural environments, or ecosystems).

Why should I be using it? (What are the benefits)

The benefits of measuring the economic value of actions and activities are well known. Measurement data is used to assess whether an action or activity is achieving its aim (is it delivering the intended economic value?) helps us to make decisions about whether to continue, change or stop a particular activity (based on the economic value it produces) and work to forecast the strategic importance of particular actions or activities to the long-term sustainability of your work.

Measuring SROI delivers these same benefits, but in addition, because it encompasses the wider social and environmental value, it provides a wider range of additional business benefits. Undertaking an SROI will:

- **Help you to understand what social value is being created and how to maximise it** – understanding what social value is being created (and how) will then support decision making to maximise this value in your work.

- **Clarify assumed ‘social value’ by actively quantifying and measuring it** – while some social value may be ‘assumed’ though certain activities, SROI will comprehensively articulate and measure this social value to provide evidence of positive social, environmental and economic change.

- **Provide an in-depth understanding of why an activity is ‘achieving its aim’** – SROI is able to show what in an activity’s changes (outcomes) is critical to achieving that aim and why it is critical to achieving that aim. It accounts for ‘less tangible’ social and environmental influences on those outcomes. Is an increase in product sales actually due to the clear environmental benefit it provides, linking into consumers’ consciousness? Could this be strengthened to support sales through showcasing the benefits to the environment further in future promotion?

- **Provide a competitive advantage to stand out from the crowd to customers** – SROI will provide more information to explain the wider impact of your activities in more meaningful ways to customers and potential customers. Most customers are unlikely to be interested in the economic return on a product (what does that give them?). However, customers are more likely to be interested in and trust a company that can show its impact on wider social and environmental areas (such as decreased hospital admissions or reduction in the number of trees cut down) compared a company that cannot, leading to increased brand loyalty.
• **Provide a competitive advantage to stand out from the crowd to business customers** – SROI can help to show key business purchasers (for example, Councils or commissioners) that in working with your organisation, there are wider benefits than simply the financial (through social and environmental benefits). This can inform tender and contract decision making.

• **Provide a ‘return on investment’ perspective to investors** – SROI demonstrates social and environmental value in language that investors, senior management and Board members understand. In today’s world, they want to know that their investments are being used to make a tangible difference to persuade them to continue investing in a particular activity or project. Being able to respond to this, through SROI, in their language will make it easier to engage them in discussions about demonstrated impact and obtain their buy-in for investment in future work.

• **Support improved stakeholder relationships** – through involving stakeholders in the SROI (see ‘how do I apply SROI?’), it will help to evaluate how far their needs and expectations are being met, in order to retain their engagement and support of your organisation and work.

• **SROI can support strategic direction** – conducting an SROI leads to the development of a range of indicators that are monetised. Analysing these indicators can support understanding and forecasting of what might happen if an organisational strategy is altered, and the evaluation of the organisational strategy to determine if there are certain activities or priority areas that resources should be focused on.

• **Enhance your reputation and position you as an innovator** – while SROI has been developed and used by the third sector for some time, it is only just taking off across the public and private sectors. Integrating and applying SROI to your organisation’s work will enhance your company’s reputation as an innovator, adapting to changing business and cultural needs. This may well strengthen the level of trust between your key customers and stakeholder groups and your organisation.

How we conduct business to meet changing needs and demands now and into the future for long-term sustainability is essential. How we make business decisions and present our successes need to include more than the bottom line. Integrating the shift towards including social and environmental purpose in your work through SROI could be central to this. It balances the need to measure and articulate the economic return on activities, as well as evidencing and proving the wider (social and environmental) worth of what you are doing in an increasingly competitive marketplace.
How do I apply SROI to what I do?

To help you apply SROI to key areas of work or activities, there is a set of established principles and an ‘outline’ methodology that have been developed specifically to aid organisations in undertaking an SROI.

Principles that underpin SROI

A key starting point to base and develop an SROI analysis is to use the following set of seven principles.

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
<th>Key questions to ask</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Involve the right stakeholders</td>
<td>This is essential to be able to determine exactly what is to be measured and ensure that all key elements of your activity are considered.</td>
<td>Who are the key people or organisations who are contributing to the change?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Who are the key beneficiaries of change?</td>
</tr>
<tr>
<td>2. Understand what changes</td>
<td>Explicitly articulate how change is created, what you want to change (the intended change) and what has changed (all intended and unintended changes).</td>
<td>What do you want to change (behaviours, attitudes, awareness)?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>What has changed?</td>
</tr>
<tr>
<td>3. Value the things that matter</td>
<td>Think through what is important to measure (rather than deciding to measure what is easy to measure) and then decide how to measure that.</td>
<td>What are the changes that matter?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>How am I going to determine the value of the changes?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>How can I recognize value in this activity?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>What financial proxy can be used to value this change?</td>
</tr>
<tr>
<td>4. Only include what is material</td>
<td>Make sure that all relevant information and evidence is used to inform the SROI analysis (don’t leave out something because it might be difficult to analyse if it would affect future decisions about the activity).</td>
<td>What things have the potential to affect stakeholders’ decisions?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Are those things important to the intervention or activity being measured through SROI?</td>
</tr>
</tbody>
</table>
5. Do not over-claim
What value can be ascribed to your activity (and what cannot) – do not make uncalculated assumptions.
Are you really able to value an outcome directly due to the interventions or activities you have undertaken?

6. Be transparent
Demonstrate the evidence and method used to reach the analysis to show that it is accurate and honest.
Can you show any credible evidence and data to back up your claims?
Are you able to show that the decisions taken through the SROI were reasonable?

7. Verify the result
Make sure that the SROI analysis is credible, especially where subjective elements have necessarily been undertaken, through applying an appropriate independent verification of the analysis.
Were decisions taken through the analysis justified?

SROI methodology

The following outline methodology is a useful tool to frame and steer an SROI analysis. It is worth noting that this methodology is intended to be flexible and adaptable across all types of activities, projects and scopes of work, and can therefore be strengthened further through applying an interdisciplinary approach combining a range of evaluation, project management and behaviour change tools and theories. This is where Social Change UK have been able to apply our extensive skills, experience and expertise to enhance SROI further.

Before starting an SROI, it should be noted that there are 2 types, dependent on when in the activity lifecycle you are seeking to provide an SROI analysis. These are:

1. Forecast
an SROI started before and continuing during the activities (in real time) to predict how much social value will be generated if intended outcomes are achieved;

2. Evaluative
an SROI conducted after the activities have finished (retrospectively) and use outcomes that have already been achieved to evaluate how much social value they have generated.

Stage 1: Establish the scope of your SROI and identify the key stakeholders

To set up the SROI framework, it is essential to establish an understanding of the activity or intervention you are going to measure (is it a specific campaign? Is it the launch of a new service to customers?).

Next, determine the exact scope of what the SROI will analyse. It can be helpful to think of the time period, geographical range, exact activities and key stakeholders and customers who are to be included, and to also explicitly consider and decide what is outside of the scope and will not be considered. This will help to manage expectations and the development of the SROI analysis in later stages.

Identify the stakeholders (both individuals and groups) that have been involved in carrying out, affecting or directly influencing the activities or interventions that will be measured. Once all of the key stakeholders have been identified, decide which to include and involve in the SROI. Deciding which stakeholders to include will depend on how much they will influence the activity and its outcomes, or the impact (benefit) the activity is expected to have on them. As a rule, only stakeholders who have high levels of influence on the activity and / or who will have the greatest levels of impact from the activity should be included.

We have applied a number of key project management tools to strengthen and support this stage to maximise the SROI work. Please see ‘where I can get further support and help’ for more information on how we can help.

Stage 2: Mapping outcomes

With the key stakeholders, develop a theory of change (also known as a logic model) to map out the intended and desired changes you expect or you expected would happen through the activities.

To develop the SROI theory of change, the following will need to be considered:

• Identify the inputs (time, money, staff and volunteer resource etc.) that will make the desired ‘outputs’ (activities) and subsequent ‘outcomes’ (desired changes) happen;
• Assign a financial value to these inputs;
• Determine the outputs (the summary of the activities and what they will achieve); and
• Describe the outcomes (the changes that resulted from the activity outputs).
We have developed and expanded on key areas through applying our expertise and experience in behaviour change to help map out the processes, stages and actions that are intended to lead to behaviour change to help ascertain the relative importance, and therefore value, of inputs at this stage. Please see ‘where I can get further support and help’ for more information on how we can help.

Stage 3:
Valuing and evidencing outcomes

Once the outcomes to be measured through the SROI have been described and defined in the previous stage, it is necessary to develop a set of indicators to enable measurement of each outcome.

Once an indicator (or set of indicators) has been developed for each outcome, you will need to collect data from a range of sources to obtain an initial or baseline measurement of the outcome and then continue to monitor and measure the outcome throughout the activity lifecycle. It is important to consider if there are any open data sources that can be used, whether specific collection metrics need to be set up to capture data or whether stakeholders can help in capturing or providing any data. It is important to remember to ‘measure what matters’ (not just what is easy to measure).

Following this, forecast how long each of the intended outcomes from your activities will last (i.e. its duration). It is important to remember that an outcome is likely to continue once an activity has stopped. This is an important step to help work out the degree of attribution (the assessment of how much of the outcome was caused by the contribution of other external factors to the activity in question, such as other organisations). As a general rule, the longer the ‘outcome’ lasts after the activity, the less likely that the outcome can be attributed to the activity and is more likely to be affected by other factors.

Finally, each outcome needs to be assigned a financial or monetary value. At this point, it is often necessary to estimate and make valid assumptions based on clear logical reasoning for assigning a particular value to an outcome, as by the nature of measuring social and environmental outcomes, many are unlikely to have a direct financial attribution. In these instances, a financial proxy should be used. Examples include cost savings to the health sector or increases in income for stakeholders or beneficiaries.

Definition

**Financial proxy**
An approximate value in monetary terms when definite financial values are not possible to obtain.

We can help you determine the financial proxy or the value of your activities. Please see ‘where I can get further support and help’ for more information on how we can help.
Stage 4: Establishing impact

Next, it is essential to work through and determine:

- Which outcomes (and changes) cannot be directly attributed to your activity. That is, that what would have happened anyway (deadweight) and what would have happened as a result of other factors (attribution); and

- Which outcomes (and changes) can be directly attributed to your activity. That is, what would NOT have happened anyway and what would NOT have happened as a result of other factors.

This will isolate the focus onto outcomes and changes directly attributable to your activity to then support the calculation of the wider impact of these outcomes and their monetary value in the next stage.
Stage 5: Calculate the SROI

This stage, as the name suggests, is focused on calculating the overall SROI of the activity. This is done by adding up all the benefits (financial values of the outcomes) from the activity, minus any negatives (attribution and deadweight) and dividing by the total inputs required for the activity (the investment in the activity).

This stage requires in-depth calculations to generate an accurate SROI ratio. Please see ‘where I can get further support and help’ for more information on how we can help.

Stage 6: Reporting, using and embedding SROI

Once you have calculated the SROI, it is important to report on and share the findings and recommendations with stakeholders. To ensure key stakeholders and audience groups are engaged with the findings from the SROI, you need to communicate the results in a meaningful way. Reporting should tell the story of change that has happened through the activities, focusing on what social value is being, and has been created.

There is a balance to provide enough information to inform and assure stakeholders about the accuracy and robustness of the work (to explain the assumptions and decisions underpinning the values and calculations), to include all relevant information about the outcomes of the activity to support and inform strategic planning for the future and to ensure that the report is succinct and relevant enough to engage and maintain interest from key audience groups.

The report also needs to put forward a set of key recommendations to influence and strengthen the SROI in future work, integrate the activity into ‘business as usual’ and to embed good outcome processes within your organisation.

_Narrative, storytelling, report writing and generating recommendations from data are key skills in this stage, - these are key skillsets and areas of expertise where we can provide further support. Please see ‘where I can get further support and help’ for more information on how we can help._
Where can I get further help and support for SROI?

SROI is a specific type of evaluation that combines the objective and subjective, qualitative and quantitative and in-depth and wide-ranging analysis. It requires a diverse skillset; including stakeholder engagement, mapping outcomes, assigning and instigating key metrics, forecasting, assigning evidence-based and valid financial proxies and calculating the SROI ratio, as well as reporting the finding in an emerging and meaningful way.

Depending on the exact scope of the activities, the available data to measure outcomes and the involvement of stakeholders, conducting a robust SROI can be time, resource and skill intensive.

This is where we can help. Our staff have extensive experience and expertise in conducting a SROI. Our approach also embeds behavioural theories and uses tried and tested behavioural models which we apply and integrate into each stage of conducting an SROI analysis.

Social Change UK offers:

- **Consultation services to support the delivery of a SROI analysis** – from light-touch support to guide or advise on specific stages or processes, through to in-depth commissions to deliver full SROIs (from set up through to final report and integration) based on organisational needs and requirements

- **Expertise to embed behavioural theory and models** – We have built in behavioural change models and theories into our SROI process to measure changes and outcomes that are often difficult to measure and may be considered or assumed ‘unquantifiable’

- **An extensive toolkit that combines the principles and approach to SROI with relevant project management and evaluation tools embedded** – this will support, simplify and guide SROI analyses.
At Social Change UK, our team are here to help you understand the social value you are creating. We exist to help you build belief in brands and deliver purpose through your work and efforts to create a better world.

Why not get in touch to discuss how we can support you with SROI work and integrating SROI into your strategy.

You can get in touch with our expert SROI team by email: hello@social-change.co.uk or by calling them direct:

Lincoln: 01522 77 50 60
London: 020 7186 1980