



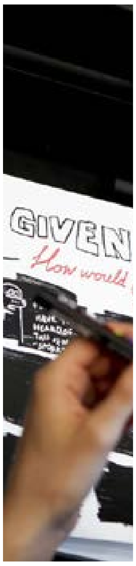

Social Return on Investment: ROOMS FOR IMPROVEMENT & RESEARCH

– A background study on SROI to identify research gaps

Jayne Jönsson • June 2013



FORUM FOR SOCIAL INNOVATION SWEDEN

Summary

This report is for the purpose of identifying relevant and contemporary research spaces within social entrepreneurship/innovation, with focus on measurement of social impact – through the methodology and principles of Social Return on Investment (SROI).

Main attention is given to published scientific articles to establish an understanding as to the hitherto extent and focus of research on SROI, complemented by information solicited from practitioners and relevant reports. Hence this study is partly to describe the methods in assessing/conducting SROI analysis and how these methods are described and discussed by practitioners; and mainly to map the research that has so far been made around these methods.

Among the results of this background study, on top of the many benefits claimed by SROI practitioners and supporters, is the apparent need to further develop the SROI methodologies.

Keywords: SE, SROI, SROI analysis/principles, social-, economic, & environmental- impacts, performance measurement, quantification, narrative, attribution, indicator, stakeholders, REDF, nef, SROI Network

About the Author

Jayne Jönsson (MSc in Business Administration major in International Marketing and Brand Management, Lund University, and MA major in Leadership and Organisation studies, Malmö University) is a social entrepreneur, working with design and production (Maddiekay) of hand-made bags and accessories in collaboration with SMEs in the Philippines. She is also currently involved in developing a social enterprise (Capture) in Skåne, Sweden, aimed at promoting local production and design with special focus on integration through creation of work opportunities.

Foreword

Social entrepreneurship and social innovation relate to new responses to challenges in society which affect social interactions and have implications for a great extent of stakeholders. Examples of social entrepreneurship and social innovation cover a wide range, from new models of service provisions to new products. What they have in common is that they can improve life quality for many. Sometimes it takes place in an extremely local setting, confined to maybe a single neighbourhood, while other examples work on a global scale.

One of the things that bring the field together is an active involvement of citizens, that can take on many forms: either as individual citizens or in different forms of organizations, ”for-profit” as well as ”non-profit”. Another aspect is that many initiatives in this field build on cross-sector collaboration.

The buzz about social innovation and social entrepreneurship can be encountered on many levels. There are initiatives at the European Union level, at the national level in many countries and also regional and local programmes. Still, many actors feel that more could be done to promote this field, and also voice concern that investors and policy makers are not understanding the true potential of social innovation and social entreprenurship to create social change.

One of the answers to this challenge have been to develop better instruments to assess and measure the social impact of these initiatives. This is a process that is still in the making, but several tools have been developed. The development and discussion in this field is very active all over Europe, and engages not only social entrepreneurs, policy makers and investors, but also increasingly the academic community.

Research on measuring social impact is growing fast. However, this is also a difficult field to cover. Many reports border research, development and policy making. When this powerful set of actors want the research results to promote metrics for social impact it can be a challenge to voice critical concern. Cross-sector collaboration and action research approaches can also make it difficult to separate perspectives and interests.

As this is a field that develops quickly, and given the incoherence of the terminology surrounding social innovation and social entrepreneurship, a complete coverage of all research in this matter is an impossible task. But this also highlights the importance of developing an academic discussion on measuring the social impact of social innovation and social entrepreneurship initiatives. The purpose of this research overview is to identify relevant research perspectives on the SROI methodology, which has evolved into one of the most well-known instruments for measuring social impact on the project level, and to contribute to the academic discussion on this methodology specifically, and on metrics for social impact in general.

Forum for Social Innovation Sweden is a platform for academia, industry, government and non-profit organisations in Sweden that want to develop research, competence and expertise in the growing field of social innovation and social entrepreneurship.

The aim is to develop joint projects and partnerships and to create an understanding of what social innovation and social entrepreneurship can be and how it can contribute to Swedish and global development.

Our main topics include sustainable urban development, design for social innovation, leadership and organization issues, social finance and corporate social innovation (CSI).

Fredrik Björk
Research coordinator
Forum for Social Innovation Sweden

For more information on social innovation and social entrepreneurship in Sweden and Europe:

www.socialinnovation.se
www.facebook.com/socinn
bambuser.com/channel/MötesplatsenSISHE
Twitter: @MSISweden

CONTENT

1. Introduction

This report is for the purpose of identifying research spaces surrounding Social Return on Investment (SROI), a measurement framework mainly used and discussed in the social enterprise (SE) field. Quoting DTI (2002):

> *"A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners ... Social enterprises tackle a wide range of social and environmental issues and operate in all parts of the economy"* (in Darby & Jenkins, 2006).

The SROI framework was first devised by the Roberts Enterprise Development Fund – also called The Roberts Foundation or REDF – (Emerson, 1999, chap. 8, 2003; REDF, 2000) as an effort to capture and monetize the full value creation of their employment programmes in San Francisco (Nicholls, 2009). According to The Roberts Foundation (2001), the term SROI has been popularly used in varied contexts to mean that non-profit and for profit corporations create social value but there have so far been limited efforts to quantify and monetize the socio-economic value created by these organizations. The Roberts Foundation has therefore invested significant time and resources to create the SROI framework to identify direct, demonstrable cost savings and revenue contributions associated with an individual's employment, and to measure the social benefit created by a social purpose enterprise. REDF believes that SROI can be calculated in a metrics set that quantifies and monetizes the economic and socio-economic value of SEs.

SROI is a process and method to understand how certain activities can generate value, and especially as a way to estimate that value in monetary terms. It is also a way to gauge the magnitude or quantity of the value created compared to the initial investment, like ROI. (Arli & Zappala, 2009)

The Social Return on Investment (SROI), developed by the New Economics Foundation and others (nef, 2004; Olsen & Nicholls, 2005) is adjudged as the most promising numeraire that includes social and environmental benefits beyond the traditional measures of economic worth (e.g. benefit-cost ratio and internal rate of return). The SROI is the overall project return that includes monetised social and environmental impacts per dollar invested, calculated as the discounted cash flow of net monetised benefits divided by the cumulative project investment. (Richards, 2008)

However, and despite the many accolades attributed to the benefits of being able to measure social returns, there are those who are not as equally enthusiastic. The challenges of SEs in proving its worth and the difficulties in measuring and evaluating their impact due to time and resource constraints have been a known fact. This has in recent years prompted the completion of various research projects and reports in order to develop specialised indicators. (Darby & Jenkins, 2006) Owing to the diverse nature of SEs, the indicator sets are varied and suitable for different organisations and purposes.

But as Shah (2003) noted:

> *"...little work has been done at a sector wide level to see how existing tools work for social enterprises – there are a number of tools that already exist but they are not necessarily accessible; there are also gaps in tools which can measure certain kinds of impacts and prove the "value added" of social enterprises".* (in Darby & Jenkins, 2006)

Moreover, according to REDF (2009), considerable time and thought has been put into ways to assess social sector value over the last decade. Despite this, nonprofits still lack a critical set of tools such as technology and processes to reliably compare activities' results to their costs that for-profit companies have had for years.

These hesitations – even criticisms – are probably what we need to focus more on, in order to find out what can be improved and hence get more out of measuring social returns. REDF is even open about the need to continually improve and refine the SROI framework and welcomes contributions through deconstructing the model, to re-configure and re-introduce it in ways that better meet the needs of each organisation (Gair, 2009). From a research context, these may provide us with good leads into possible research gaps.

2. Method

The literature search process was conducted mainly through the internet – partly via Malmö University's search portal and partly through open google scholar internet access. Among the key words used were SROI, Social entrepreneurship and SROI, Social innovation and SROI, challenges for SROI, etc. Articles selected are based on relevance, and not field-specific (e.g. business or third sector; service or health fields), and showed that SROI – although can be applied (and encouraged to be applied) to other sectors – is mostly used within the third sector or the social enterprise field. Some of the selected articles also provided a good source of other relevant articles and reports. Not all of the articles used are peer-reviewed but are nevertheless considered credible based on the authors' affiliation or position as, for instance, established or PhD consultant.

The gathered articles totalled to over fifty; twenty-six of which were used in this report, including five case reports and one internal evaluation guideline. The tabulation below indicates an upswing of interest in the field of social enterprise, specifically around the measurement of social impact and the methods used with particular focus on SROI, during the last ten years or so with UK and USA as the dominant research actors.

It has to be noted that social enterprise and social entrepreneurship are used in this report interchangeably. Values and returns are also used interchangeably (unless otherwise specified) and to both mean "social" (prefix). REDF, The Roberts Foundation and Roberts Enterprise Development Fund are used interchangeably as well, especially so that the report (REDF's) SROI Methodology (2001) contains several chapters that are published collectively and individually. Moreover, when referring to a publication where there is no explicit mention of the author, the source used is either the title of the article, or the publishing entity (whichever is applicable). Absence of date means that no date is specified in a particular article, and/or cannot be located elsewhere.

E-correspondence and telephone interview with practitioners in Sweden and Denmark gave some insight into social value measurement from a practical standpoint. Practitioners who participated were:

densociale kapitalfond

DENMARK
Simone Louise Petersen
Analyst

E-mail correspondence,
answers received on 14 February 2013

TILLVÄXT VERKET

SWEDEN
Johanna Giorgi
Sustainability Advisor & Strategist

E-mail correspondence,
answers received on 14 February 2013

serus

SWEDEN
Erik Jannesson
Sustainability developer, Eco. Dr.

Telephone interview,
20 February 2013

The selected and reviewed articles & reports

Articles (Area of discipline/study)	Place/Country	Year	Number
Business & Management			
Center for Responsible Business	US	2003	1
Accounting, Organization and Society	UK	2009	1
Center for Social Impact	Australia	2009	1
Public Sector Management			
Public Management Review	UK	2012	1
Third Sector/Social Economy			
Expert Report (REDF)	US	2001	1
Expert Report (REDF)	US	2002	1
Expert Report (nef)	London/UK	2004	1
Social Enterprise Journal	London/UK	2005	1
SROI Framework	London	2005	1
International Journal of Social Economies	UK	2006	1
Social Enterprise Journal	London/UK	2007	1
Office of the Third Sector	UK	2007	1
Expert Report (PES Projects)	UK	2008	1
Expert Report (nef)	London/UK	2008	1
Third Sector Research Centre (TSRC) briefing paper	UK	2009	1
Expert Report (REDF, Gair)	USA	2009	1
Third Sector Research Centre (TSRC)	UK	2010	1
Social Enterprise Journal	Canada	2011	1
Social and Environmental Accountability Journal	UK	2011	1
Journal of Social Entrepreneurship	Australia	2011	1
Expert Report (Social Ent., SROI Network, Buzzacott)	UK	2011	1
SROI Network	London	2012	1
Expert Report (European Union)	Europe/Belgium	2012	1
Making Waves	USA	(unidentified)	
Design/Social design			
Design Research Society	Thailand	2012	1
Philosophy			
Complexity of Philosophy	USA	2008	1

Table 1: Article list according to discipline and date

3. Literature review

3.1 Social Entrepreneurship (SE)

Ashoka, a leading force in the movement, defines social enterprise as a disruptive innovation in resolving social problems (Trexler, 2008). While Greg Dees' (2001) definition of social entrepreneurship, includes that of: *'Adopting a mission to create and sustain social value (not just private value)'* (Westall, 2009).

Social enterprises have a distinct and valuable role to play in helping create a strong, sustainable and socially inclusive economy as believed by the UK Government. Hence the Government expects SEs to be sustainable and to achieve both financial and social goals (DTI, 2002). (Darby & Jenkins, 2006)

Difficulties can arise for organisations when trying to demonstrate their "sustainability worth" according to Darby & Jenkins (2006). There is a need for SEs to become more familiar with traditional business tools and goal setting to improve their performance in order to transform social goals into quantifiable impact. Outputs and outcomes such as number of employees are easily measurable, but there are some sustainability impacts that are difficult to measure and have not traditionally been assessed, such as improving self-esteem and community cohesion. (ibid.)

A rather striking, but probably not unfounded, claim comes from charity accountant Eddie Finch: that social enterprise does not have a right to exist; that SE competes for resources – be it from consumers of goods and services or investors of finance – resources that can be well given philanthropically or spent/invested based on equal footing without regard on ethical context. It is therefore paramount that SEs, to be able to widen its acceptance beyond its line of supporters, are able to articulate on their success in both business and social impact. (SocialEnterpriselive.com, in partnership with SROI Network and Buzzacott, 2011)

The philosophy of social enterprise offers many parallels to the understandings that are found in sustainable development, the process where institutions can progress toward the state of 'sustainability' (Bebbington & Gray 2000). (Rotheroe & Richards, 2007) According to Rotheroe & Richards, the SROI technique demonstrates many qualities of sustainability. Stakeholder inclusiveness being central to the innovative process allows for a truly connected thinking that indicates advancements in sustainable development. The SROI analysis is however not the definitive answer to sustainable development management but it does advance progress in the debate on how best to operationalise sustainability performance management. (ibid.)

3.2 The differing views on Performance Measurement

There is a push from within the third sector itself – apart from the pressure from public sector and philanthropic funders - for organisations to become better at demonstrating their value to the public and potential funders (Arvidson, Lyon, McKay & Moro, 2010).

Impact measurement is logically included as a final step in the value creation process. Commercial business activity has widely used measures of impact (performance measurement) including: accounting profit, cash flow, earnings per share, dividend yield (Young 2006) and economic value add (EVA) (Kaplan 1982). (Ormiston & Seymour, 2011) In the field of social innovation, effective assessment is regarded as essential to ensure a good level of understanding of what social innovation can achieve and how it can be developed effectively. This entails having in place metrics and knowledge on the field, for policy-makers and funders in their investment decision-making. (European Union, 2012)

A lot of effort into developing methodologies has been exerted to capture both outcomes and financial effects, such as Social Impact Assessment, Socio-Economic Reports, Cost Benefit Analysis, and the main focus of this report, SROI. Social Impact Assessment methods have been in use since the 1960s to encompass all the dimensions of value produced by a new policy or programme; Socio-Economic reports on social enterprises (developed in Sweden) appraises the enterprises internal profit (revenues minus costs), its external profit (social benefits minus its social costs), and the sum of the two (the 'cost-benefit value'); and Cost Benefit Analysis – widely used for transport projects – takes a more cautious approach in valuing benefits in a monetary way, with an emphasis on assessing 'externalities' (e.g. noise and pollution) and customer value. Cost Benefit Analysis is however reputed for under estimating costs and over estimating benefits. (European Union, 2012)

Social entrepreneurs can fail to evaluate with sufficient regard to their social mission at the stage of measuring impact, as revealed by the study of Ormiston & Seymour (2011). The subject social entrepreneurs appear to be utilizing measures that relate to the growth of the venture (e.g. number of beneficiaries) rather than the achievement of the formal social mission (measuring the impact on the beneficiaries), which Ormiston & Seymour refer to as the 'mission measurement paradox'. An excerpt obtained from the researcher's journal (9 June 2009, Reflective Journal, p. 4) reflects this eventual finding:

> *I was surprised when speaking with [the Language Venture beneficiary] how enthusiastic and proud he was of the project, and the high regard in which he held [the Language Venture entrepreneurs], yet when I asked directly what changes he had noticed within the community he said that there had been none.* (in Ormiston & Seymour, 2011)

Despite the increasing pressure, and the need to measure performance, there are those who emphasize the importance of measuring what really matters (and the challenge thereof). Quoting Walker et al. (2000) in the handbook "Prove It!":

> *...[t]he temptation is always to measure what is measurable, rather than what is important. So measures tend to cover two aspects of projects. First there are physical changes: the number of houses built or trees planted. Second there are activities: the number of training places provided or the number of jobs created... Not measured are the effects on people who have taken part in these projects and on the community of which they are part. Yet this is what is really important.* (in Darby & Jenkins, 2006 p. 416)

Even with the growing empirical contributions to academic inquiry into social entrepreneurship, literature has avoided tackling understanding and measuring social impact (Austin et al. 2006b). (Ormiston & Seymour, 2011)

> **"We knew we were making an impact, but we didn't have a way of showing the true value of what we do – SROI gave us a way of doing that."**
>
> **Elena Di Antonio, YouthNet**
> **From the Report: Making it count**

Impact assessment is defined as *"the process of identifying the anticipated or actual impacts of a development intervention on those social, economic and environmental factors which the intervention is designed to affect or may inadvertently affect"* (Kirkpatrick et al, 2001). It is *"a form of analysis which can determine, within a reasonable margin of error, (1) the impacts ... including both intended and unintended effects, (2) the magnitude of the impacts, and (3) the causal factors underlying the impacts ... the central problem of impact assessment is attribution"* (USAID, 2006:3). (Richards, 2008)

> **"We are always looking for new ways to support our customers through events, internal communications, services and offers. The findings are massively informing how we can encourage, support, facilitate and inform our CAN Mezzanine community of the benefits of collaboration in a hands-off, unobtrusive way."**
>
> **Kirstin Ross, CAN Mezzanine**
> **From the Report: Making it count**

It can be considered obvious to argue that the purposes motivating social entrepreneurs will affect the value created by social entrepreneurs as claimed by Ormiston & Seymour (2011). They raise a relevant point: what is maybe less clear is if the various methods or tools (e.g. SROI, blended value, the triple bottom line and the balanced scorecard), or approaches (e.g. focusing on outputs rather than processes and cycles) to measuring social impact may affect the value created by social entrepreneurs. Relying too much on particular methods and approaches entails risks, as they become descriptions of, rather than proxies for, the realities we seek to understand, as expressed by Young (2006). (Ormiston & Seymour, 2011) Said risks include losing or completely ignoring the human or community story behind social impact when focus is given on bland numbers. But for Jeremy Nicholls, SROI is a framework to structure thinking and understanding and it's very much a story, and not a number, that should show how one understands the value created, manage and prove it. (SocialEnterpriselive.com, et al., 2011)

Morever, Jeremy Nicholls claims that comparing the social return of different organisations depends on the purpose of the comparison and what are being compared. Comparing analysis and how judgments have been made is possible owing to the basic framework and standards for applying the principles of SROI, but not if what is being compared is the ratio [the figure that is calculated for the value of social impact by £ for every £1 spent]. He also contends that SROI is the framework and principles, with standards for how these are used. The SROI Network is in discussion with practitioners using related tools to establish ways of aligning the principles and agreement on measuring social impact. (SocialEnterpriselive.com, et al., 2011)

Most financial activity in the world is supported by standardized measurement of economic value. However, there are factors beyond measurement within the social value arena, which obviously are of value and worth affirming. In between these two corners of value creation lies socio-economic value. (The Roberts Foundation, 2001)

Socio-economic value measurement, according to The Roberts Foundation (2001), builds on the groundwork of economic value measurement through quantifying and monetizing some elements of social value, and including those monetized values with the measures of economic value created. Socio-economic value is created by a nonprofit organization or program by making use of resources or inputs and increasing the value of these inputs, and by generating cost savings and/or revenues for the public sector. These cost savings may be achieved in decreased public dollar expenditures, and revenues be generated to the public sector through taxes. Employment programs for the disabled or homeless, job training programs, and other initiatives are some of the examples that generate socio-economic value by providing employment for those who otherwise receive public support. (The Roberts Foundation, 2001; cost savings to public sector measured through SROI is also discussed in nef, 2004; Richards, 2008; & Gair, 2009)

Among the several methods for measuring social impact, SROI is probably the most prominent in the UK. However SROI had been critisized for being time consuming, complicated and impenetrable. According to SROI Network CEO Jeremy Nicholls how cheap, easy or complex SROI is depends on several things including what you are going to use your analysis for and who is going to use it. Some of the variables that indicate cost include the size of the organisation, the intended audience for the analysis, the timeline and resources available, availability of data/information and whether it will serve as a forecast or an evaluation. (SocialEnterpriselive.com, et al., 2011)

Much of the third sector-related measurement literature and practice is currently dominated by outcome measurement, such as 'distance travelled', and as processes for measuring or presenting broader kinds of value created, by using social audit or accounting. (Westall, 2009) The use and development of social impact reporting depends on the strategic objectives of an organisation, its context and influences (Nicholls, 2009). This way of looking at impact measurement has made some third sector actors subvert or manipulate conventions, to self-legitimate as well as change reality, for instance through the idea of a 'triple bottom line'. Questions remain however on how far derivative measures and concepts can or do incorporate all aspects of the third sector activity. Much accepted theory and practice shows that not all values can be monetized with ease, and cannot be easily compared on a standard scale or set of calculations. (Westall, 2009) Influential author Bernard Williams said in 1972:

> *"There is a great pressure for research into techniques to make larger ranges of social value commensurable. Some of the effort should rather be devoted to learning – or learning again, perhaps – how to think intelligently about conflicts of values which are incommensurable"* (in Westall, 2009)

3.3 SROI Terminologies and concepts

Most of the terminologies and concepts across different reports and publications are presented/described in more or less similar ways. The concept of social value is currently being used in practice derived from the social entrepreneurship literature and practice (e.g. Auerswald, 2007). Social value relates to specific outcomes that tend to focus on relieving disadvantage or on the results of local economic development. From just a focus on single organisations, the idea of social value has extended to entire systems, for example value chain which has always attracted considerable research and practical interest in business. A social value chain has become a helpful way to look at value creation by third sector actors and as an approach to change market reality, e.g. through fair trade activity. For example, Alex Nicholls (2007) argues in a paper for the UK Cabinet Office that we need to have a new model of value chain economics and look at the enhanced social enterprise value chain. Social value has not always been seen in this way. For Schumpeter (1908) 'social value' relates to societal wants which are consciously asserted by the whole community and valued jointly. By extrapolation, 'social value' can be created by all sectors and through different activities, partnerships or networks, hence reduces its impact as a way to account for third sector value. (Westall, 2009)

Social value is created when resources, inputs, processes or policies are combined to generate improvements in the lives of individuals or society as a whole, focused on mostly by nonprofits. It is here unfortunately that they have the most difficulty measuring the value generated. Social value can be found in a wide variety of activities from community organizing, environmental protection, to a family moving from welfare to work that may generate results with high intrinsic value that can be difficult to agree upon or quantify or translate into dollars of value. *Economic value* on the other hand is created when there is a financial return on an investment, examples can be seen in the reports on activities of for-profit corporations. (Gair, 2009)

Measures of economic value are standardized and support the basis for most financial activity in the world. Unlike the standardized measures of economic value, many results of social mission-driven activities are beyond measurement, but clearly are of importance. In between the two poles of economic and social value creation is socio- economic value. *Socio-economic value* is measured using economic value measurement tools: by quantifying and monetizing the elements of an activity's social value. (Gair, 2009) SROI is a widely used and promoted measure of such blended value that seeks to compare and combine third sector activities on a single monetary scale. Value creation as a simple and combinable impact, when the reality is often messy, is hence seen narrowly. (Westall, 2009)

The concepts of comparison of like measures of value and unlike measures of value explains the challenges in monetizing the seemingly unquantifiable values :

Comparing like measures of value. It is possible in some cases to find a common measure of value that answers particular questions. One standard criterion for assessing each of its grants at Robin Hood Foundation is the impact that grantees have on New York City poverty. Therefore, although a grantee could run a wonderful after-school program but has little impact on poverty in New York City, it is unlikely that grants will be given by the foundation. (REDF, 2009) As described by Michael Weinstein:

> *"[This] methodology compares the poverty-fighting value of any two grants, no matter how different in purpose. In effect, we estimate cost-benefit ratios to compare the value of apples (graduating 50 more students from high school) with the value of oranges (training an extra 75 home health aides). These cost-benefit ratios capture Robin Hood's best estimate of the aggregate benefit to poor people (measured in part by the projected boost in future earnings) that each grant creates per dollar cost to Robin Hood. Such ratios guide our investment decisions as financial rates of return guide investors' decisions."* (REDF, 2009)

Discount rate
Each dollar invested in the social purpose enterprise might have been invested elsewhere, generating another, perhaps better, return. Investors factor this into their calculation as a cost in order to determine the true value of their overall return, (Emerson, 2000 p. 12) Commonly used discount rate in Swedish government agencies is 4% (Lilieqvist, 2010 in Älverbrandt, 2012)

Indicator
An indicator can be defined as a factor that can be measured to reveal how well a desired outcome, value or criterion is being achieved or fulfilled (adapted from Buck et al, 2006). The first requirement for identifying indicators is therefore clarity in the desired value, criterion, goal or objective. (Buck et al, 2006; OECD, 2003). (Richards, 2008)

Causal model
A strong causal model is integral to good project design; it involves explicitly explaining the linkages and assumptions between project activities, outputs, outcomes and impacts. The causal model needs to include the counterfactual analysis, providing evidence to show that the benefits will not happen without the project. It is also very important for the selection of indicators – especially those that link outputs or outcomes with social or livelihood impacts. (Richards, 2008)

Displacement
Any unintended negative consequences, displaced benefits (nef, 2008).

Comparing unlike measures of value. In a lot of cases, it will be impossible or impractical to identify one measure of value that is equally relevant for various initiatives or from varied stakeholders' points of view. Stakeholders with a focus on inner-city education may be most interested in the after- school program's (as mentioned above) impact on teacher motivation and retention. Others may be more interested in the after-school program's impact on reducing the crime rates in a particular neighborhood. Data about impact on teacher motivation and its impact on crime are unlikely to be consolidated into a single measure of value, despite the cost information for the after-school program may be the same. (REDF, 2009)

According to REDF (2009), the nuanced decision-making that comes with differing measures of value – is an inherent part of social mission work, and although non-monetary results can be translated into dollar equivalents, much can be lost in translation. The dollar equivalent is just one aspect of the impact and cannot be legitimately highlighted as the impact in many social change arenas. REDF (2009) argues strongly that the fantasy of finding a common unit of measure for assessing and comparing impact must be set aside.

SROI practitioners have developed 'banks' of proxy information to inform the valuation of intangible benefits, or other benefits that are hard to value. For instance, it is estimated that the extra tax revenue of moving someone to work is around £1,700; a cost-benefit analysis uses the underlying tools of economics to help understand the principles behind such valuations. (Arvidson, Lyon, McKay & Moro, 2010)

To estimate the net benefit, it is necessary to estimate and deduct the value of benefits that would have anyway occurred without the project, known as 'deadweight', hence attribution is integral to the SROI methodology (nef, 2004). (Richards, 2008) For the case of Create (an organisation studied in the article Making it Count), some stakeholders found the idea of proxies difficult to understand. This was about individuals, not roles; some organisations struggled with the idea, while some students understood it. According to Create they might in the future try to ask questions about proxies in different ways. (SocialEnterpriselive.com, et al., 2011)

There are some published guidelines in conducting SROI analysis such that of SROI Network, A guide to Social Return on Investment (2012); or The Roberts Foundation's (REDF) A Report From the Good Ship SROI by Cynthia Gair (2002); and nef's Measuring value: a guide to Social Return on Investment (SROI) (2008). The impression one gets, especially from an inexperienced set of eyes, is that SROI Network's and nef's approach to SROI analysis seems (slightly) easier to comprehend/follow, and which are actually being used by Serus in Sweden (and others such as Lievesley & Yee, 2011).

Olsen & Lingane (2003) contend, however, that efforts to estimate companies' environmental and social impacts that are not comparable or reliable are due to the absence of standards for impact assessments. They then propose The Standard for Social Return on Investment (SSROI) with set of ten guidelines for the calculation of SROI (see Appendix 1).

Table 2 provides a compilation of various SROI framework/approach - that of REDF's, SROI Network's, nef's and others.

Theories of change

A logical framework for creating positive outcomes; a theory of change tells the story about how an organisation makes a difference in the world – that is, how it delivers on its mission. The 'impact map' is used as a tool to develop an organisations' theory of change. This provides a framework for organisations to better understand how their actions actually create change, by analysing the cause-and-effect chain of inputs, outputs, outcomes, and impacts. By completing an impact map, organisations develop a pathway into impact measurement based on their own organisational capacity and priorities. (nef, 2008)

Example: **Ocean's** (an independent music venue in Hackney, East London) **theory of change:** music-related activities can contribute to the regeneration of a community. (nef, 2004) For illustration of change theory, see Appendix 2.

SROI and SROI ratio. According to nef's Measuring value: a guide to SROI (2008): SROI measures the value of the benefits relative to the costs of achieving those benefits. It is a ratio of the net present value of benefits to the net present value of the investment. For example, a ratio of 3:1 indicates that an investment of £1 delivers £3 in social value.

$$[\text{SROI}] = \frac{[\text{Net present value of benefits}]}{[\text{Net present value of investment}]}$$

	(The Principles)	(The Steps/Approach)
SROI Network (Source: A guide to Social return on investment, 2012)	• Involve stakeholders • Understand what changes • Value the things that matter • Only include what is material • Do not over-claim • Be transparent • Verify the result	• Establishing scope and identifying key stakeholders • Mapping outcomes • Evidencing outcomes and giving them a value • Establishing impact • Calculating the SROI • Reporting, using and embedding
nef (Source: Measuring value: a guide to social return on investment (SROI) Second edition, 2008)	1. Stakeholders are central 2. Theories of change 3. Materiality – focus on what is important 4. Understanding impact – the difference made by your organisation or initiative	1. Measure for social, economic and environmental well-being 2. Measure with people 3. Measure outcomes 4. Develop a learning and responsive culture 5. Measure the difference made 6. Be transparent about priorities and values 7. Measure assets, strengths and opportunities as well as risks, failures and deficits
REDF (Source: A Report From the Good Ship SROI, 2002)	**Concepts of Value** Economic – Socio-Economic – Social	Stage 1: Calculate enterprise value Stage 2: Calculate social purpose value Stage 3: Calculate blended value Stage 4: Calculate enterprise index of return Stage 2: Calculate social purpose index of return Stage 2: Calculate blended index of return
Others: Social Accounting, SROI and sustainability reporting, etc. have the same basic principles as these. (Source: Why measuring and communicating social value can help social enterprise become more competitive)	• Stakeholders are central to understanding value • There needs to be more transparency in prioritizing stakeholders' issues • Value is in the result of an organisation's work and not in a summary of its activities • It should be recognised that people will achieve their goals or meet their needs in many different ways • The purpose of understanding is to change • Reporting change to stakeholders is one route to better accountability	

Table 2: Compilation of various SROI Analysis Approach

3.4 SROI: Challenges & opportunities

New ways to understand, measure and foster awareness of impacts are being used by value-driven organisations (nef, 2008). Among these are SROI. However, although SROI is being accepted as an internationally recognized measurement tool for social enterprise, Millar & Hall (2012) argue that it is underused and undervalued due to practical and ideological barriers.

The SROI Network (2012) describes Social Return on Investment (SROI) as a framework for measuring and accounting for much broader concept of value. SROI measures change in ways that are relevant to the people or organisations that experience or contribute to it and tells the story of how such change comes about by measuring social, environmental and economic outcomes and by using monetary values to represent them. This enables calculation of a ratio of benefits to costs. For example, a ratio of 3:1 indicates that an investment of £1 delivers £3 of social value. The SROI Network (2012) contends that SROI is not about money, but value. Money is simply a common aggregate hence is useful and broadly accepted means of conveying value.

For nef (2008), SROI translates social and environmental outcomes into tangible monetary values that aids organisations and investors to see a more complete picture of the benefits generated by the time, money and other resources that they invest (also in Arli & Zappala, 2009). SROI analysis can also estimate the potential negative impact of not making the investment (Emerson, 2000). nef's approach to SROI places stakeholders – the people who matter – at the core of the measurement process (nef, 2008). Apart from stakeholder engagement principle, what's positive with SROI is it is based on materiality, transparency and external verification and assurance (Arli & Zappala, 2009). (Gibbon & Dey, 2011) The objective of social valuation and impact measurement in the third sector is to understand (in social, environmental and economic terms) what difference an organisation's activities make to the world and to communicate that value to the organisation itself and to its stakeholders (nef, 2009). (Gibbon & Dey, 2011) Among those identified who mention and use both positive and negative impacts (addressed alternatively as unintended consequences, Westall, 2009), where negative outcome is deducted from the positive (off-setting) making the impact map realistic, are nef (2008) and Olsen & Lingane (2003). Also according to SROI guide 2012, SROI Network, intended and unintended outcomes and positive and negative outcomes are all relevant to SROI. The SROI framework developed by REDF seems however to lack focus on environmental impact.

Describing the SROI analysis process as easy to understand is quite rare, at least based on most of the articles reviewed for this report. Quoting Turid Misje (2010) Monitoring and Evaluation (M&E) Technical Advisor at Mkombozi in Tanzania: ". . . the process of calculating the SROI ratio itself; our impression was that this was an evaluation tool that at least in its simple form was rather easy to grasp and which made sense to the stakeholders involved." But Misje also admits that there are still unclear aspects of the SROI approach and it needs to be further tried to properly ascertain its value as additional M&E approach.

The Scottish context indicates that SROI could be one way of improving the profile and professional image of social enterprises, and may assist educating the financial sector in the wider benefits of the social economy. All interviewees in this study agree that SROI could be one way to address the concern in lack of direction on how to develop social accounting tools to demonstrate value for money. (Social Enterprise Journal, 2005)

Quantification, Narrative accounts & Value comparisons

Meanwhile REDF in its initial SROI work noted the existence of different value definitions with a description of returns that could not be monetized or quantified – values that could be best captured in narrative accounts (also in Social Enterprise Live, SROI Network and Buzzacott, 2011):

> *"We at REDF believe SROI can be calculated in a set of metrics that quantify and monetize the economic and socio-economic value of social purpose enterprises, but that it should also be viewed in a broader context. Returns realized on a social investment will always include social impacts that are impossible to monetize, or difficult to even quantify. The reports include the SROI analysis results as well as narrative descriptions of the business, highlights of an enterprise employee, and a summary of the impact of the social purpose enterprise on individual social outcomes."*
> (REDF's SROI Methodology, 2001, p.13)

The attempt to put a monetary value on all benefits is also a concern that the European Union (2012) raises. It hints its concern as well on the particular feature of SROI where no standard parameters are used, and where it is the prerogative of the users of the system to choose their own values and justify them. The rigour of assumptions is often open to debate, despite that SROI (and cost Benefit analysis) provides precise numbers. The European Union also claims that the insistence in monetization is deeply problematic because there would never likely be a reasonably robust approach that can estimate in monetary terms intangibles such as the value of happiness, social cohesion, etc. (European Union, 2012)

Comparisons of like measures of value, in particular dollars compared to dollars, are easier to understand and can be more consistently interpreted than comparisons of unlike measures of value, such as "dollars spent compared to lives saved." Due to this comparison challenge, the SROI discussion has been dominated by a drive to monetize social sector results. (REDF, 2009) Skepticism on establishing a metric system that is void of subjectivity is expressed by a former manager of the World Bank's Results Secretariat, in the Bill & Melinda Gates Foundation report in 2008 (REDF, 2009):

> *"There is incredible 'silver bulletism' around in the donor (and perhaps foundation) worlds— seeking that one special number that will tell us if we are succeeding or failing. This is driven by bureaucratic fantasy, not reality. The chances that we could come up with a metric that avoids an inevitably subjective process of judgment and choice are infinitely small (else politics would be a much simpler and boring topic). It's usually driven by a desire to define 'a bottom line' that will do for philanthropy and public sector management what profit/loss statements do for the private sector. It's just not going to happen that way."*

REDF and others, such as Social Ventures Technology Group are aware of the measurement challenge and hence claim that it is time to fully incorporate both non-monetary and monetary views of value into SROI analyses. (REDF, 2009) REDF believes that the value of social mission activities cannot be boiled down to one measure, as it is too simplistic to address multiple mission areas and stakeholder concerns. A single number does not give sufficient and meaningful information for investment and/or operational decision-making. On top of that, decisions need to be made to find credible, fact-based information to generate meaningful comparisons, and systems that deliver this information in an affordable way. (REDF, 2009) In SocialEnterpriselive.com, et al. (2011) the need to combine both monetized and narrative reports is also emphasized.

The Attribution-challenge

Several of the articles reviewed have articulated on the possible flaw of determining attribution (e.g. Gair 2002; Westall, 2009; Emerson, 2000) and causality challenges (Gair, 2002) that are common in SROI analysis. (Richards, 2008)

A study on impact assessment of 'Multiple-Benefit' Payment for Environmental Services (PES) Projects (Richards, 2008) revealed that the cost of 'purist' impact assessment, is probably in the $50–150.000 range and the main reason for this high cost is the difficulty of showing attribution. Showing attribution is arguably the main determinant of impact assessment design (Tanburn, 2008). A major review of impact assessment finds that "the lack of agreement around what to measure, and how to measure it, which means that the observer has no way at present to tell whether any particular intervention, agency or approach was more or less effective than any other one (taking into account context-specific factors, of course). (Richards, 2008)

In REDF's SROI framework, 100% of public cost savings were attributed to the associated social purpose enterprises. However the fact of the matter is that there are other influences and factors that contribute to the change in a person's life, that can also be brought about by other social programs. (Gair, 2009) REDF's SROI analysis, according to practitioners and funders, presumes that the organisations and programs in question work with people who represent a cost to the public system – those receiving social assistance, but some do not receive such support e.g. chronically homeless (Emerson, 2000). Finding ways to derive a more realistic percentage of change that is directly attributable to – for instance employment – is the challenge here. (Gair, 2009) Other criticisms from practitioners and funders are that once the tools are refined and standards are established, people may tend to falsely document performance to make their SROI results misleadingly impressive; the motivation to do so will be particularly strong if grants and subsidies are tied to a fee for performance; and limited financial and human resources at NFPs to be able to properly use and manage SROI information systems. (Emerson, 2000)

In SROI, the problem lies in the quality of the assumptions made, as with any economic modeling, with respect to the generated outcomes, the time taken to generate them and in crucially placing a financial proxy or monetary value on those outcomes (Arli & Zappala, 2009). Other challenges and areas needing improvement are: determining discount rate/s; investment risk assessment in social purpose enterprises; assessment of relative value of different programs or strategies (Emerson, 2000). SROI is also very data and research demanding, e.g. the need for quantified 'benchmark data' for each stakeholder type in order to calculate 'deadweight' to be deducted from gross benefits; estimates of local income multiplier benefits involve location specific assumptions, again complicating project comparison. (Richards, 2008)

SROI Applicability in other context, and possible overkill

Another point raised is the uncertainty on the usefulness of SROI as a numeraire for Payment for Environmental Services (PES) projects: the quantification approach to social benefits is unrealistic for developing countries, and favours financial and employment benefits over more inclusive community development benefits such that of PES projects in the form of institutional strengthening, social and human capital, etc. (Wunder, 2008). Even environmental values are likely to be incorporated according to ease of quantification (and not how important they are) making it difficult to compare projects; and using advanced environmental valuation methods could make it very expensive. (Richards, 2008)

The SROI approach encourages the presentation of more qualitative measures/descriptions of impacts alongside the SROI as part of a multiple criteria approach. There is a danger that investors or buyers with little time may only look at the SROI and get a distorted view of a project's overall worth. (Richards, 2008)

According to Westall (2009), the development of the 'blended value' idea should be critically assessed as it may serve to ignore or downplay complex situations where values cannot be combined, and fail to show the practical difficulties and implications for organisations that seek to practice multiple value creation. SROI also needs to be critically assessed for its benefits and unintended or accidental disbenefits, considering its potential dominance and impact on government and funding policy. In order to place SROI in context and to confirm its usefulness for policy and funding provision, the extent or otherwise of non-monetisable outcomes relative to different kinds of third sector activity should also be assessed. (Westall, 2009)

The notion of Blended Value was first coined by Emerson (2003) as a conceptualization of the combination of financial and social outputs and impacts generated by all organizations. (Nicholls, 2009) The logic of a Blended Value analysis suggests that all organizations create both financial and social value, and the two types of value creation are not in opposition in a zero sum equation (i.e. to generate more social value an organization must sacrifice its financial performance), rather it is intrinsically connected. Such zero sum analysis as suggested by Emerson allowed corporations to ignore their wider impacts (e.g. environmental externalities). (Nicholls, 2009) Moreover, Blended Value Accounting, although it offers a dynamic space for negotiating reporting practices, does not constitute an agreed calculative device. Therefore the interpretive context of a certain stakeholder's point of view on social impact performance can directly influence the mode of calculation. (Nicholls, 2009)

SROI being expensive, time-consuming & its comparability challenge

Conducting SROI evaluations entails many challenges as reflected in the literature and is widely acknowledged to be one of the more resource-intensive social evaluation tools (Angier Griffin, 2009; nef, 2005; Lawler et al, 2008). Translating the principles of SROI into a simpler and more achievable social value measurement set, better suited to smaller voluntary and community sector (VCS) organisations has been recommended by a report (Wood & Leighton, 2010), published by independent UK think tank DEMOS (Lievesley & Yee, 2011).

The impression by people that SROI is expensive and time-consuming (this and other practical difficulties such as being irrelevant and a burden even in the health and social care sector, hence leading to minimal use of SROI, Millar & Hall, 2012), and complex, according to Jeremy Nicholls, CEO of the SROI Network, depends on several things including what you are going to use your analysis for and who is going to use it. The variables that will inform how much an SROI analysis will cost include: whether the analysis is for internal management purposes or intended for public distribution; the size of the organisation and the activity under consideration; the time scale over which material outcomes occur; whether you are considering a forecast or an evaluation; the existence of information on relevant outcomes and research that provides evidence of outcomes and the level of existing staff skills. The cost could also cover: both external support and internal staff ; the cost of implementing the changes that are proposed following an SROI analysis. (SocialEnterpriselive.com, et al., 2011)

The study of Lievesley & Yee (2011) describes lessons learned to evaluate a completed Service Design project with a large vocational training company through the use of SROI approach. They found out that there is a promise of a useful fit between SROI and Service Design in larger projects. It was also found here that the method was time-intensive and one of the limitations encountered was difficulty in identifying appropriate proxies for the calculations. Lievesley & Yee (2011) propose the expression of social benefit to multidisciplinary co-design teams through visual and emotive means rather than in quantitative, financial terms. Gibbon & Dey's (2011) study that presents the merits of two approaches to social impact measurement: social accounting and audit (SAA) and SROI, and they argue that the use of proxies when dealing with 'softer' outcomes is very subjective. Despite significant similarities, there are important differences between them. While SAA is into a more 'conventional' combination of narrative and quantitative disclosures, SROI outcomes are more explicitly reductive and quantitative. SROI can be used within the SAA framework but current efforts to promote the adoption of SROI may advocate a one-dimensional funder- and investor- driven approach to social impact measurement in the third sector. (Gibbon & Dey, 2011)

On the issue of being able (or not) to compare – with certainty – the social return of one organisation with another, Nicholls say that it depends on the purpose of the comparison and what is being compared. "If you are comparing the analysis and how judgments have been made then yes, and it will be useful. In fact it is relatively easy to do so because of the basic framework and standards for applying the principles of SROI. But not if you are comparing the ratio [the figure that is calculated for the value of social impact by £ for every £1 spent]." (SocialEnterpriselive.com, et al., 2011) A good point raised by Olsen & Lingane (2003) in comparing two seemingly similar organisations is the need to consider their different starting points relative to the achieved social outcomes. If there are two youth programs, one for high school college track students and the other for homeless teenagers, with metric of success of both programs being the percentage who find gainful employment outside their enterprises, the success of organisation that trains high school students may appear to be higher hence higher in SROI valuation. The challenges in serving homeless youths need to be factored into the analysis to enable investors make an informed decision.

In encouraging consistency of models, SROI Network is in discussion with practitioners using related tools to see if principles can be aligned and to find agreement on measuring social impact. SROI is the framework and principles, with standards for how these are used that are constantly developing, but must be differentiated from the tools used to measure aspects of impact. (SocialEnterpriselive.com et al., 2011)

4. SROI according to the practitioners

This report includes three organisations – Den Sociale Kapitalfond (Denmark), Tillväxtverket and Serus (Sweden) to get some insight as to how SROI is relevant to their activities and context. The information from Den Sociale Kapitalfond and Tillväxtverket was obtained through e-mail correspondence with a set of question adapted to the relevance of SROI to their organisation (Tillväxtverket for instance does not currently use SROI analysis). The information from Serus was obtained through e-mail and telephone interview, in a more open and less structured way. The report also includes two cases in Sweden where SROI has been applied: Värmestugan (2011) and Uggletorpet (2012).

For Den Sociale Kapitalfond, SROI is relevant as it is a requirement from their investors that their investments (shall) generate social impact. They assess projects and activities from different aspects, but in relation to SROI it is important for them to see the change on vulnerable group. They do not conduct SROI analysis in all their projects and activities, however they did it with their first investment in Specialisterne ApS to become more familiar with the model. It has given them good understanding how to conduct an SROI analysis and how the model works in a Danish context. When Den Sociale Kapitalfond evaluate activities, they look at the social model and the theory of change the organisations are using, and they use impact map as departure point in their social due diligence process. Finances/economy, market and scalability are also being looked at. Den Sociale Kapitalfond is developing its own indicator system as a tracking device for their investments, which can vary from and between activities. They do not experience difficulties in reading different measurement systems from project applications, instead they use and incorporate the database that the organisations have. They usually conduct assessment before and after the project has been in operation.

SROI is not at this point being used by Tillväxtverket when accepting and assessing projects. They have however discussions on how they can measure social impact of their ventures and SROI is one of the tools they are looking at. Tillväxtverket has its own system ”Nytta-systemet” for assessment and follow-up. The principle of ”Nytta” puts focus on the impact/effects of the efforts (what they want to achieve), and not on the activities per se (what they are doing). At its core is creating a logic on how the target impact can be achieved – through change theory where follow-up and assessments are incorporated to monitor the development of projects (from Tillväxtverket's report: Nytta, Så arbetar vi med uppföljning och utvärdering – Nytta, How we work with follow-up and evaluation).

Tillväxtverket considers Nytta and SROI as compatible in many aspects but has not reached a stage where specific indicators on working level are discussed. However, during their project grant announcement for social innovations in fall 2012, applicants were asked to indicate how they intend to measure and follow-up their social impact. Nytta is not a selection tool rather a planning and follow-up system. Some targets can provide direction in the selection process but then more criteria are usually used and a project should be in accordance with the objectives that Tillväxtverket has put forward with the help of the Nytta. Considering that impact/benefits are abstract and subjective, Tillväxtverket do experience difficulties and challenges in measuring/assessing a project's impact. There is no exact or definite standard how Tillväxtverket measures impact. Indicators and criteria vary from and between cases athough when assessing a project, same criteria are used within one same program. Tillväxtverket is interested in finding ways to measure the social impact of the projects they are involved in and looking at how the measurement can be standardized to be able to follow-up in a comprehensive governmental level.

In Sweden, there are some efforts to increase the spread of SROI as a method within the social economy such as the SROI training course carried out from January to June of 2011, presented in the report: The outcomes and values of SOUL's advanced SROI training course (Jannesson, 2011). The course's aim was to give the participants support and increased confidence in carrying out an SROI analysis and to increase its spread. Some areas around measuring social return on investment that need attention within research and lack published articles on, were raised during the interview with Erik Jannesson. Mentioned are the need for practical perspective on value creation – how to actually widen the perspective, what values are we talking about, what is the best way forward - are the existing methodological approaches enough to measure value, and the need to compare the methods/approaches to SROI. It also has to be determined which (value) is important to be measured – ”which has the most value for me”, and to concretize this. Jannesson opined that measurement standardization is the wrong way to go, and it is a simplification of measurement of value (creation) that is basically not objective. In the issue of relevance/context, Jannesson emphasized that SROI's starting point is the stakeholders themselves. One who does not experience or is affected by the change cannot be considered as a stakeholder in SROI context. It is important to increase understanding that not everything can be assessed through numbers, and that a combination of numbers and narrative gives a better picture of what we are measuring.

Meanwhile, the cases of Värmestugan and Uggletorpet in Sweden are presented here to provide us with some idea on how SROI analysis is applied in the Swedish context.

Värmestugan

The SROI report on the case of Värmestugan: *Utvärderande SROI-analys av värmestugan i Östersunds kommun*, was carried out by Coompanion Kooperativ Utveckling Jämtlands Län (Frestadius, Ottosson & Persson, 2011) from 4 February to 27 September 2011. The goals of Värmestugan (for its beneficiaries) are maintained sobriety, to get them off from substance abuse and lead them towards work or studies. An SROI analysis was conducted in six steps that include significant assessments and balancing, and the method is based on seven principles (following the Swedish SROI Network). The objective of the analysis has been to estimate as correctly as possible, the values that Värmestugan generate for its stakeholders.

The investor and other actors (e.g. volunteers) are included as stakeholders on top of the employees and beneficiaries. Here only the positive experiences of the employees and visitors (beneficiaries) were included in the analysis, which were calculated by percentage and through proxies. Negative experiences (which can surface and indeed appeared), and other externalities were not accounted for. Quoting from the report:

> "*But we cannot think of any other job. It is maybe difficult for others to understand but even if this clientele takes so much energy, a great lot of energy, they give back a lot more.*" *

In order to arrive at a realistic evaluation, both positive and negative impacts should be included where the latter is substracted from the former – the so-called ”offsetting”. This project and the corresponding analysis brings an insight (or a question mark if you will) as to our particular common challenge on how to decide the indicators. The project's goals are maintained sobriety, getting beneficiaries off from substance abuse and lead them towards work or studies. However, none of the indicators have explicitly ”indicate” these. Shouldn't the indicators be directly connected to the purpose/goal of any project so that it would be easier (even logical) to follow an analysis, as to which of the goals are met,

* "Men vi kan inte tänka oss ett annat jobb. Det är kanske svårt för andra att förstå men även om det här klientelet tar otroligt mycket energi, väldigt mycket energi, så ger de än mer tillbaka".

through indicators? For instance, if the goal is sobriety, the possible indicators (on the part of the beneficiary) can be: level of understanding of the project's goal (hence he/she comes to Värmestugan sober) and willingness to undergo rehabilitation, etc. The indicators used (for beneficiaries) in the report were: acceptance and social community with results at 33% and 53% respectively, and both with proxies based on average and hourly lowest assistance/aid level, giving (both, surprisingly!) 20,027 Swedish crowns (maybe another point that should be looked at). One of Värmestugan's stakeholders, Östersund kommun - would of course like to see how many of the project's beneficiaries were influenced to go to rehabilitation program (such focus has actually been recommended by the report itself). This project reminds of the case of Robin Hood Foundation where grants are not given to programs (regardless how wonderful they are) that have little impact on poverty reduction in New York City, being the foundation's main goal.

Uggletorpet

An SROI analysis was conducted by Origo Resurs Lund (Älverbrandt) following the Swedish SROI Network quality standard, in the report: *SROI analys av Uggletorpet –Ett samarbete mellan det sociala företaget Origo Resurs och Svenska kyrkans diakonicentral*.

Uggletorpet caters to individuals who have been long-term unemployed or on long-term sick leave. The SROI analysis is for the purpose of knowing how Uggletorpet's program facilitates (re)employment of long-time unemployed members. Accordingly, the indicators they used are based on Triangle consulting (with assessment tools for social and non-profit organisations) where every stage in the change process is presented in ascending category and even use an assessment scale of employability. This allows a more realistic and less abstract way (indicator) of following and determining the progress of the studied stakeholders (the workers). It also gives a clearer picture on how the effects/results actually meet the purpose of the project. Hence, the SROI analysis brings out the relevant "value" that the report is intended for.

In the report, the employees are considered the only stakeholders. It was emphasized that SROI is an impact-based method, which entails that the focus is the actual change and not the results. SROI is one of the few methods that include the economic value of impacts that has no market value, for instance, self-esteem, environmental effects and social integration - that gives a complete picture of the relationship between investment and the value that is produced. However, there was no environment-related data included in the SROI analysis of Uggletorpet (neither in the case of Värmestugan).

The above presentation of the Värmestugan and Uggletorpet SROI reports is non-comprehensive, but depicts some of the inconsistencies and challenges in conducting an SROI analysis. This will be addressed more in the next and last section. Den Sociale Kapitalfond and Tillväxtverket recognize the possible benefits of SROI analysis, but it is not an integral part of their evaluation process. Tillväxtverket has its own system "Nytta", while Den Sociale Kapitalfond is about to develop its own measurement method. Any further mention in the next section of these organisations or the practitioners included in this report depends on relevance.

5. Rooms for Improvement and Research

5.1 Discussion

Based on the articles, reports and case reports reviewed, this study considers some issues presented earlier to be of importance hence needing further discussion.

A more concrete guideline as to which stakeholders matter

As the literature indicates, although there are common activities in the SROI analysis process, there are points where choices – which may depend upon differences in information, time or skills available, and personal judgment – must be made to enable analyses of different levels of complexity to still comply with a common set of principles. Moreover, taking into account that SROI is based on stakeholder engagement principle, shouldn't the criteria in deciding which stakeholder to be included in the stakeholder (direct or indirect) mapping be made more specific, and less flexible?

The challenge and possible cause of unreliable measured value can be seen in the cases of Värmestugan and Uggletorpet. In these cases, there seems to be a tendency to determine stakeholders in different – seemingly without pattern – ways. In the case of the Värmestugan report, the investor and other actors (volunteers) are included as stakeholders on top of the employees and beneficiaries, while in the case of Uggletorpet, only the employees are considered as stakeholders. The question here is how much this rather flexible way of determining/deciding the stakeholders affect the end-result of SROI analysis. Across the reviewed articles, it is emphasized, following the six steps and the seven principles of the SROI analysis, the need to identify the main stakeholders – those who are experiencing the change, and to include only what matters or necessary. This of course opens to own interpretation. But one case deciding to include investors as relevant (Värmestugan), and the other as not (Uggletorpet) is debatable (and can possibly be crucial in its entirety) especially if the analysis is taken using a stakeholder involvement as departure point. It should probably be looked at further how the flexible choice affects the end SROI value.

Another Swedish SROI report that highlights the importance of including more involved stakeholders is *SROI-analys av Karriär-Kraft Nästa Steg, Värdet av en LSS-verksamhet som omvandlar bidragstagare till samhällsresurser* (Skoglund & Wessbro). Important to also note that in this SROI analysis, authors suggest to find a better type of proxy that reflects not just the theoretical knowledge that comes with effects/results but also the actual experiences and relations with the participants.

Indicators not 'indicating'

When it comes to indicators, there seems to be a need to review how these are chosen and to take into consideration that an indicator is an opportunity for us to connect the goal/s of a certain project into a sort of key word making the analysis process easier to follow and comprehend. This is supported by the literature, which says that the first requirement for identifying indicators is in the desired value, criterion, goal or objective.

The flexibility in selecting indicators and criteria seems widespread. Such flexibility allows organisations to identify their own indicators, but it is noticed during the course of this report that such flexibility – especially when it is not directly/clearly linked to the project's objective/s – leads to difficulty in comprehending the purpose of indicators (which obviously is to indicate), and a possible discrepancy in the end-result (of the measurement/analysis). Even in the case of Tillväxtverket (see their report "Nytta"), the variation for instance on indicator depends on the type of the project on operation or to be operated, which of course is understandable. If the project is about participation there is a clear focus on allocation between men and women, and with foreign background; but if the project is about entrepreneurship, a focus on environment may occur (hence environmental aspects seem optional). Environmental-related activities in the Swedish cases reviewed for this report provide different courses of action: in the Värmestugan case, it has been excluded; in the case of Uggletorpet, it was not addressed; while for Karriär-Kraft it was addressed but claimed that had the employees been employed some place else, their environmental-effect would have occurred (e.g. from travel) anyway. According to the literature, to estimate the net benefit, it is necessary to estimate and deduct the value of benefits that would have anyway occurred without the project, known as 'deadweight' making attribution integral to the SROI methodology. In juxtaposition, shouldn't we also account for negative impacts regardless of the fact that it could have happened anyway? Therefore, we are...

Missing out on the environmental aspect

Social valuation and impact measurement in the third sector is supposed to help us understand the difference of what an organisation's activities provide in social, environmental and economic terms. However in most of the reports and articles reviewed, only economic and social are commonly addressed, as if environmental aspect is optional. Even the SROI framework developed by REDF seems to lack focus on environmental impact. It has also been said that environmental values are likely to be incorporated depending on how easy it is to quantify, and not how important they are. Moreover, using advanced environmental valuation methods could make it really expensive. We maybe need to ask: should (or shouldn't) environmental indicator be always included in the SROI analysis, or should it be taken into account only when the project under assessment is directly catering to environmental issues? How then does it affect the measurement itself? And if environmental aspect would be a standard dimension, how would the indicators and proxies look like across various projects with different focus and level of environmental activities and impact?

More than being expensive & time consuming

The issues on SROI analysis being expensive and time-consuming, the challenges in comparing with certainty the social return of one organisation with another, and the (in)consistency of models are discussed in the literature. SROI is also very data and research demanding. These issues are very relevant and should be addressed more closely. If SROI analysis is indeed useful for organisations not just to measure its impact but also to know how well (or otherwise) the project is run and thereby identify rooms for (more) improvement, it should be of common concern that such analysis is affordable and feasible. Some sort of standard – at least where stakeholders are involved as mentioned earlier – is maybe necessary to ensure that the end result of the analysis (social impact) is depictive of all the relevant inputs, especially so that SROI analysis is supposed to be based on stakeholder principle. However, caution should probably be observed as well so as not to lose anything in translation (as the literature says), as social impact – although being monetized – is basically a soft value and therefore needs more than the rigid structure of standardization.

There is the so-called Standard for Social Return on Investment (SSROI) to address often-repeated implementation issues affecting the credibility and standardization of social impact analyses. This brings us closer to the question of what is there to gain and lose when standardizing? The point can be more than what can be lost in transalation – as it seems there is no such framework or approach that is all-conclusive – rather, if what to be gained (from standardization) is greater than what is to be lost when there are no firm and decisive guidelines, and vice versa? We should therefore ask: should measurement of social returns be standardized or not? Or is it enough to have a sort of guiding principles (as that of REDF'S SROI principles) and provide organisations some leeway to present their own reports that capture/consider their own context?

There is also a point raised that information on how the company's performance compares with the next best alternative in its marketplace must be provided to give the SROI context and meaning; and that it is virtually impossible for any company in the present market context to be perfectly free of any negative impacts. This brings to another issue that maybe needs consideration: how much of the influence from the business field (as this one reminds of competition analysis using SWOT) should the third sector embrace? It is of course a valid point to always consider the negative impacts of any activity, but shouldn't the measurement of impact – negative or positive – generated by a social enterprise focus on its own efforts and context as many authors claim? Some also claim that SROI should describe what makes the company different from a standard venture in the industry or region, but shouldn't SROI's main goal be to track and enhance one's own performance? Could this comparison influence organisations into presenting a nuanced picture of their social impact in order to become 'competitive', or could it somehow enhance their will and capacity to perform better?

Moreover, the area of discount rates for quantifying monetized social returns has also been addressed as needing further research and study. The best solution offered to the question of discount rate is to use one that reflects the ambivalence of the company's financial success projections, and effectiveness of its social impact achievement. There is also the challenge in determining the degree of improvement that is attributable to social purpose enterprises in their target populations' lives, and the socio-economic return associated with that improvement. The fact of the matter is that there are other influences and factors that contribute to the change in a person's life and finding ways to derive a more realistic percentage of change that is directly attributable to the effort is the challenge. SROI analysis presumes that the organisations and programs in question work with people who represent a cost to the public system. This very much calls for sensitivity to different situations and contexts.

The role of Context

Talking about context, calculating and monetizing meaning through for instance saved costs in public services can be a challenge, if not impossible, in societies where (free) public services such as rehabilitation and psychiatric services are not available. The limited applicability of the SROI framework in countries where similar public social systems do not exist, is however acknowledged by REDF. Taking into consideration that social enterprises are equally, if not more, prevalent and needed in the developing and less-developed countries, an SROI framework that is adapted to their context can be a necessary and appreciated development. Hence, can SROI – or metrics in SROI analysis be context-based? SROI research and practice climates in these countries can therefore be an interesting and relevant development within the research arena.

How to tell the Story?

It is strongly stressed that SROI cannot and should not be used as the sole indicator of social performance, in the same way that ROI is not used as a sole indicator of financial performance. This is also emphasized well by REDF itself. However, how the story-telling (narrative) should be formed and structured – what areas to cover, length of narrative, etc. – has not been explicitly addressed. Is there a way, or can be it beneficial and suitable, to incorporate the Theory of change in Storytelling in order to establish some sort of structure? Can the structuring of narrative be a possible research area worthy of attention?

Performance Measurement through another perspective

It has been argued that because of the complexity of social change, the use of single, goal-centered measures in one concentrated time is questionable, therefore it may be insightful to consider how performance measurement is viewed from organisational theory perspective. Various actors have different needs from the organisation depending on their position; change, success and failure do occur at different periods in an organisation's life cycle depending on its context. An example given is how the Grameen Bank developed its 16-point definition of poverty over many years through trial and error, and how they faced resistance and how different measures made at different periods produce different results, which calls for a more discriminate way of selecting appropriate measures on the part of researchers.

Also, since in the SROI analysis we are mostly assessing less concrete values (soft values) such as scale of employability, some assessment tool (like the Triangle consulting used in the Uggletorpet case) or similar tools, can be of benefit.

5.2 Recommendation

Taking into consideration the insights obtained from the review of the literature, the reports and correspondence with practitioners, especially on the challenges concomitant with SROI which are further discussed in the preceding section, the identified research spaces and questions that possess potential of building a strong and relevant research profile are the following:

> *Should the selection of stakeholders comply with some basic set of criteria to ensure that relevant values are properly accounted for?*
>
> *The role of indicators, its relevance to the organisation's goals and in facilitating an easy navigation of the SROI analysis process.*

Is environmental aspect a must in an SROI analysis? Why, or why not?

Is SROI analysis sustainable – even for smaller organisations – considering the resources needed?

What are the possible gains and losses of having a standardized measurement approach?

Do we really need to measure and quantify all values?

Are the existing methodological approaches enough to measure value?

Why comparison (within the marketplace or between organisations) of performance measurement and of methods and approaches to SROI, necessary and relevant?

The challenges in determining proxies and attribution.

How can an SROI analysis be best adapted to the context of developing and less-developed countries where SROI's focus on public cost savings cannot be applied?

How should a story-telling (narrative) be constructed to make it an effective complement to quantification of values/impacts?

What can be learned if performance measurement in the third sector is viewed through other theory perspectives, such that of organisational change and studies?

Finally, and as a way of concluding the insights learned, in order to capture – as close as possible – social impact, SROI as a method should be refined with special emphasis on the role of attribution. Everything that contributes to allocating attribution should be taken into account, such as: intended & unintended consequences (or the so-called displacement or negative & positive impacts), magnitude of the impacts and causal factors underlying the impacts, proxies, indicators, discount rate, deadweight, context, and last but not the least – the role of (choosing with care) stakeholders. Also, inclusion (or otherwise) of environmental aspect in the SROI analysis needs review and confirmation. Moreover, if the Story is to complement the Numbers, there is a need to know how to devise and structure the story to achieve an effective and relevant narrative. Lastly, research surrounding SROI analysis and SROI within the social enterprise field is already strong in the UK and USA, but not in the developing and less developed countries. This therefore provides a promising research opportunity.

6. Reference

Arli, D. & Zappala, G. (2009), Why do companies ignore measuring the social impact of their Corporate Community Involvement programs?, The Centre for Social Impact, CSI Briefing Paper No. 4

Arvidson, M., Lyon, F., McKay, S., and Moro D. (2010), The ambitions and challenges of SROI, Third Sector Research Centre, Working Paper 49, UK

Darby, L. & Jenkins, H. (2006), Applying sustainability indicators to the social enterprise business model International Journal of Social Economics; 2006; Volume 33, No. 5/6; ABI/INFORM Global pg. 411

Emerson, J. with Cabaj, M. Social Return On Investment, Making Waves, Vol. 11, No. 2

European Union (2012), Strengthening social innovation in Europe, Journey to Effective Assessment and Metrics, Belgium

Gair, C. (2002), The Roberts Foundation A Report From the Good Ship SROI

Gair, C. (2009), SROI Act II: A Call to Action for Next Generation SROI

Gibbon, J. & Dey, C. (2011), Developments in Social Impact Measurement in the Third Sector: Scaling Up or Dumbing Down?, Social and Environmental Accountability Journal, UK

Lievesley, M. & Yee, J. S.R. (2012), Valuing Service Design: Lessons from SROI, Northumbria University Research Link, DRS 2012 Bangkok, Chulalongkorn University Bangkok, Thailand, http://nrl.northumbria.ac.uk/8818/

Millar, R. & Hall, K. (2012), Social Return On Investment (SROI) and Performance Measurement, The opportunities and barriers for social enterprises in health and social care, Public Management Review

New Economics Foundation (nef) (2004), Measuring social impact: the foundation of social return on investment (SROI), SROI Primer

New Economics Foundation (nef) (2008), Measuring Value: a guide to Social Return on Investment (SROI) Second edition, London

Nicholls, J. (2007), Why measuring and communicating social value can help social enterprise become more competitive, A social enterprise think piece for the Office of the Third Sector, Office of the Third Sector

Nicholls, A. (2009), 'We do good things, don't we?': 'Blended Value Accounting' in social entrepreneurship, Accounting, Organizations and Society, 755–769

Olsen, S. & Lingane, A. (2003), Social Return On Investment: Standard Guidelines, Working Paper Series, Center for Responsible Business, UC Berkeley (peer-reviewed)

Olsen, S. & Nicholls, J. (2005), A framework for approaches to SROI analysis/SROI Framework

Ormiston, J. & Seymour, R. (2011), Understanding Value Creation in Social Entrepreneurship: The Importance of Aligning Mission, Strategy and Impact Measurement, Journal of Social Entrepreneurship, The University of Sydney Business School, The University of Sydney, Sydney, Australia

Richards, M. (2008), Issues and Challenges for Social Evaluation or Impact Assessment of 'Multiple-Benefit' Payment for Environmental Services (PES) Projects

Roberts Enterprise Development Fund (REDF) SROI Methodology (2001), Analyzing the Value of Social Purpose Enterprise Within a Social Return on Investment Framework

Rotheroe, N. & Richards, A. (2007), Social Return on Investment and social enterprise: Transparent accountability for sustainable development, Social Enterprise Journal, Volume 3, Issue 1

Ruebottom, T. (2011), Counting social change: outcome measures for social enterprise, Social Enterprise Journal , Schulich School of Business, York University, Toronto, Canada

Social Enterprise Journal (2005), Volume 1 Issue 1, London

SROI Network (2012), A guide to Social Return Investment

SocialEnterpriselive.com, in partnership with SROI Network and Buzzacott (2011), Making it Count: a social enterprise guide to accounting for value

Trexler, J. (2008), Social Entrepreneurship as an Algorithm: Is Social Enterprise Sustainable? Complexity and Philosophy, E:CO Issue Volume 10, No. 3, Pace University, USA

Westall, A. (2009), Value and the Third Sector: working paper on ideas for future research, Third Sector Research Centre, (TSRC), Briefing Paper 25, UK

Case Reports:

Frestadius, A., Ottosson, J. & Persson, P. (2011), Utvärderande SROI-analys av värmestugan i Östersunds kommun, SROI-analys och rapport framtagen av: Coompanion Kooperativ Utveckling Jämtlands Län

Misje, T. (2010), Think Piece: Social Return on Investment (SROI): SROI Analysis of Health Services delivered on the Streets of Moshi, Tanzania

Nytta, Så arbetar vi med uppföljning och värdering, Tillväxtverket

Jannesson, E. (2011), The outcomes and value of SOUL's advanced SROI training course, SERUS and Linköping University

Skoglund, K. & Wessbro, A. SROI-analys av Karriär-Kraft Nästa Steg, Värdet av en LSS-verksamhet som omvandlar bidragstagare till samhällsresurser, Karriär-Kraft Service ekonomisk förening

Älverbrandt, L. (2012), SROI-analys av Uggletorpet, Ett samarbete mellan det sociala företaget Origo Resurs Lund och Svenska kyrkans diakonicentral

Appendix 1

The Standard for Social Return on Investment (SSROI) with set of ten guidelines for the calculation of SROI:

Guideline 1: Include both positive and negative impacts in the assessment.

Guideline 2. Consider impacts made by and on all stakeholders, including those inside the company itself, before deciding which are significant enough to be included in the assessment.

Guideline 3. Include only impacts that are clearly and directly attributable to the company's activities. Be conservative with leaps of faith, and don't take credit for more than your organization can realistically affect.

Guideline 4: Avoid double counting the value (financial and social) created by the company, and do not use market valuations of social impacts where they do not reflect full costs and benefits.

Guideline 5. In industries or geographic areas in which impacts would be created by the existence of any business, these impacts should not be counted in an SROI. The SROI should describe what makes the company different from a standard venture in the industry or region (i.e. from its competition).

Guideline 6. Only quantify or monetize impacts if it is logical given the context of the impact, business or industry.

Guideline 7: Put numeric metrics into context (e.g. this period versus last period, this company versus similar companies) to give the social return on investment meaning.

Guideline 8: Address risk factors affecting the SROI in the assumptions, and carefully consider and document the choice of discount rate for social cash flows.

Guideline 9: Carry out a sensitivity analysis to identify key factors influencing projected outcomes.

Guideline 10: Include ongoing tracking of social impact.

Appendix 2

Illustration, Theory of change (Ramboll, 2012, via Tillväxtverkets webpage)

Social Return on Investment:

ROOMS FOR IMPROVEMENT & RESEARCH

– A background study on SROI to identify research gaps

This report is for the purpose of identifying relevant and contemporary research spaces within social entrepreneurship/innovation, with focus on measurement of social impact – through the methodology and principles of Social Return on Investment (SROI).

Main attention is given to published scientific articles to establish an understanding as to the hitherto extent and focus of research on SROI, complemented by information solicited from practitioners and relevant reports. Hence this study is partly to describe the methods in assessing/conducting SROI analysis and how these methods are described and discussed by practitioners; and mainly to map the research that has so far been made around these methods.

Among the results of this background study, on top of the many benefits claimed by SROI practitioners and supporters, is the apparent need to further develop the SROI methodologies.

FORUM FOR SOCIAL INNOVATION SWEDEN

MALMÖ HÖGSKOLA