

Introduction to SROI



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Social Return on Investment

- Social – about people/society
- Social, economic, environmental, . . . and anything else we should include our decisions.

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Not currently accounted for

These things are often not included because they are not of relevance to the primary audience for financial accounts.

But, this doesn't make them any less important! Yet, we often ignore them.

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Accounting for value

- Value – worth, importance
- So, not just the difference we make, but HOW MUCH difference we make,

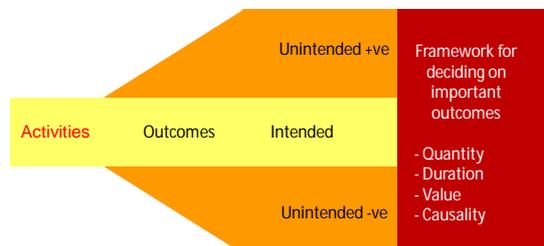
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- **Aim:** To reduce inequality and environmental degradation
- **Mission:** To change the way society accounts for value
- **Objectives:** Encourage effective and consistent use of SROI

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Measuring Social Value



Process

1. Who changes?
2. How do they change?
3. How do we know?
4. How valuable was the change?
5. Is all the change down to us?

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Judgement calls



John Maynard Keynes, the eminent economist, once remarked that *it is better to be vaguely right than precisely wrong*

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Principles

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

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SROI

a framework of questions, to answer within the boundaries of a set of principles

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A Global Standard?

There are many impacts that may need different ways of measuring them

Is not the same as

There are many ways of deciding what outcomes to manage (and therefore measure)

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Relationship with other approaches

Finalised

- GIIRS (Global Impact Investing Rating System)
- IRIS (Impact Reporting and Investment Standards)
- Social Audit Network

Coming soon

- Collective impact
- CBA
- Global Reporting Initiative
- Financial accounting

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Limitations

1. Better information, but information can still be ignored in political environments
2. Subjective and anthropocentric (human centred)
3. 'SROI' and 'value' can sound like money
4. Currently applied more to selected activities and less to systems
5. Focus on 'end-users' makes it harder for intermediaries

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SROI in action

- **Aim for it:** Strategic planning
- **Create and improve it:** Managing activities
- **Communicate it:** Communicating value
- **Grow it:** Attracting investment or making better investment decisions
- **Live and breathe it:** A way of thinking

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From internal management decisions to investor (and board) decisions

From projects to system wide change involving many organisations

In public, private and non profit sectors

Appropriate Rigour

Less rigorous ← → More rigorous

Principles required	Different objectives			
	Planning	Management Report	Investor Report	Public Report
Change	✓	✓	✓	✓
Stakeholders	✓	✓	✓	✓
Value	✓	✓	✓	✓
Materiality	✓	✓	✓	✓
Causality	✓	✓	✓	✓
Transparency	✓	✓	✓	✓
Verification	✓	✓	✓	✓

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Maximum Value

- If there were any negative outcomes is there anything you can do to prevent these outcomes from happening or is there anything you can do to reduce their effect?
- If there were some outcomes that were unintended, are these things you should consider trying to deliver for stakeholders as well as achieving the objectives of the activity?
- Which outcomes are most important?

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Maximum Value

- Identifying new stakeholders that you have impact on, understanding their outcomes and involving them
 - Challenging yourself about causality:
 - would it happen anyway?
 - is it down to others?
- Focusing resources where causality is greatest

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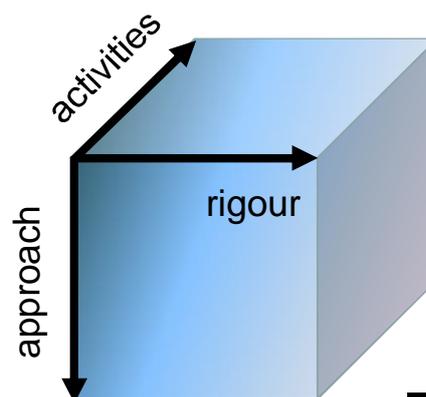
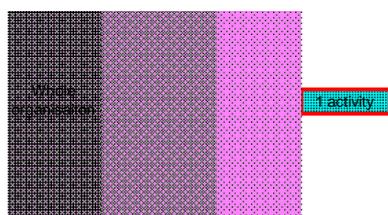
*You can't manage
what you don't measure*

Measurement needs to be
good enough to enable decisions

Scope and Rigour

Less rigorous ← → More rigorous

Different objectives			
Planning	Management Report	Investor Report	Public Report



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How far will you go?

1. Approach: Measure Objectives or Value?
2. Scope: One, Some or All Activities?
3. Rigour: Low or High?

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