

THERE IS INCREASING PRESSURE being placed on organisations to measure and evaluate the social impact they create. However, organisations face many challenges when measuring and evaluating impact, including knowing what to measure, who to involve, and how to use the results. One approach to understanding and measuring the social impact of a project, program organisation, business or policy is Social Return on Investment (SROI).

SROI is an internationally recognised tool for understanding and measuring the impact of a project, program, organisation, business or policy. Through engaging a range of stakeholders, the methodology assists in identifying the social, environmental and economic benefits generated and place a value on this impact. This value can then be compared to the investment required to generate the benefits.

The SROI methodology was originally developed by the Roberts Enterprise Development Fund in the USA, and was further developed in the UK, most recently through the Cabinet Office. Social Ventures Australia (SVA) began using SROI, customising it to the Australian non-profit sector, in 2002. SVA is now a part of the international SROI Network and is using the updated approach with ventures it supports, non-profit organisations, foundations, government departments, social enterprises and for-profit enterprises.

### Applications of an SROI analysis

SROI is an approach for measuring and accounting for a broader concept of 'value' than is captured in traditional evaluations.

An SROI analysis tells a story about the change created by an organisation or program, which can include case studies, as well as qualitative and quantitative information. SROI is based on stakeholder engagement and understanding from each stakeholder's perspective the specific changes attributable to the program.

The results of an SROI analysis can not only help communicate value in terms which are compelling for investors, it can also provide an ongoing measure of effectiveness and efficiency of the organisation or program.

An SROI analysis can be used for:

- Strategic planning.
- Making investment decisions.
- Communicating impact and attracting investment.
- Understanding what is required to effectively track outcomes.

### Types of SROI analysis

SVA Consulting uses three types of SROI analysis:

- Forecast SROI – designed to understand and predict the desired impact of a program or activity for significant stakeholders.
- Baseline SROI – using historic data to provide a baseline indicator of whether social value was created by a program or activity. The primary purpose is to identify outcomes, guide forward planning and establish what needs to be monitored and measured to demonstrate success.
- Evaluative SROI - Validating a forecast or baseline SROI to understand if the impact sought was achieved.

### SVA Consulting's approach to SROI

SVA Consulting uses the international SROI approach and tailors this to specific client needs. A general approach to SROI analysis is as follows:

- Work with program staff and other stakeholders (such as beneficiaries of the program, or funders) to identify the outcomes of the program.
- Identify the costs of achieving these outcomes.
- Define indicators for measuring outcomes and use financial proxies to value outcomes.
- Gather data about the actual impact of the program, including a sensitivity analysis.
- Calculate the SROI ratio and prepare a report that includes perspectives on the value created for each stakeholder group and recommendations for measurement and evaluation.
- Submit the report for assurance and verification (where appropriate).

SVA Consulting can either carry out an SROI analysis for an organisation or can work with the organisation to enable it to develop the skills to carry out the analysis itself.

Services are provided on a cost recovery fee for service basis.

For further information, please contact Simon Faivel at SVA Consulting on 03 8688 0012 or email [sfaivel@socialventures.com.au](mailto:sfaivel@socialventures.com.au)