

A framework for approaches to SROI analysis

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1 Introduction

All enterprises create a range of types of impacts, only some of which are measured using conventional financial accounting. Social Return on Investment (SROI) Analysis is a method for understanding the (environmental, social and public economic) value being created by organizations in addition to the financial value that accrues to owners. SROI analysis can be used by investors, foundation program officers and policy makers to inform their capital allocation strategies and decisions, and by managers to inform their projections, strategic planning and performance assessment.

Specifically, SROI Analysis builds on other approaches to understanding non-financial value by quantifying, and including **monetary values** of, some indicators of the added value. These are then converted to net present value and divided by the amount of monetary investment to arrive at “social return on investment.” There are a number of issues that need to be taken into account in understanding the additional monetized value itself, and the SROI number cannot be seen or understood in isolation from the process by which it is calculated.

While SROI builds upon the logic of cost benefit analysis, it is different in that it is explicitly **designed to inform the practical decision-making of enterprise managers** and their investors. By contrast, cost-benefit analysis is a technique rooted in social science that is most often used by funders outside an organization to determine whether their investment or grant has advanced or will advance a social mission they have.

Much more than a single number, SROI Analysis is **a way of reporting** on value creation. Therefore, we distinguish between SROI the number and “SROI Analysis.” The latter encompasses: a) information about the process by which the number was calculated, b) context information to enable accurate interpretation of the number itself, and c) additional non-monetized social value and information about its substance and context.¹

Purpose of this framework REDF first outlined a method to compute the type of SROI discussed here (“SROI Methodology Paper,” The Roberts Enterprise Development Fund (REDF), 2001). Since that report the number of people that have been working with SROI Analysis has grown. As people have tested the methodology in different contexts, they have moved in slightly different directions with slightly different points of emphasis. A framework is required so that new users are not confused by different approaches, and practitioners understand the bases for different calculations.

¹ Non-monetizable social value, though not as easy to analyze as monetizable value, is a critical part of any SROI Analysis. Although this has often been overlooked, the SROI formulation first proposed by the Roberts Enterprise Development Fund (now called REDF), explicitly includes consideration of non-monetizable additional value, although REDF’s original Methodology did not explicitly recommend a protocol for accounting for this value. The framework presented here focuses on issues around the treatment of monetizable value, and does not provide explicit guidance for how non-monetizable value should be accounted for or reported. This is an area for further research and discussion.

The purpose of the framework presented here is to:

- establish a shared understanding of the various methods used for the monetization exercise within Social Return on Investment Analysis by collecting, including and explaining the different options for calculating monetized SROI;
- ensure that organizations at many different states of development and capacity and across many sectors can conduct SROI Analysis;
- ensure that SROI Analyses are presented in a way that facilitates accurate interpretation of results, avoids misinterpretation and assist in comparing organizations approaches to understanding their impacts; and
- lay the groundwork for standardization so that calculated SROI become more comparable over time.

Audience for this paper This framework is primarily aimed at those who are already familiar with monetized SROI Analysis and involved in organizational performance assessment that considers non-financial performance: primarily internal management of businesses and nonprofits, and investors in these organizations. It will also be of interest to others developing ways of understanding and quantifying organizations' impact on stakeholders and for policy makers for whom issues of social benefit are important. As the use of SROI Analysis grows, the authors expect that the framework will be refined. We recognize that, although there are a number of activities common to any SROI analysis, there are points in the process at which choices must be made to enable analyses of varying levels of complexity that still comply with a common set of principles. The choices depend, for example, upon differences in information available from internal management information systems, time or skills available, and personal judgment. It is expected that organizations will begin with limited scope and detail of analyses, and that many will increase the comprehensiveness of their analyses over time.²

The variety of levels of comprehensiveness makes the framework both flexible and accessible: it is flexible enough to be applied in a way that is sensitive to the context of a given organization, but it also gives rise to the possibility that like organizations could prepare SROI analyzes with different SROI numbers. Therefore, two SROI numbers can be compared when and if the identical options have been selected and assumptions made. The SROI Report is critical, since it is where these choices and assumptions are made explicit.

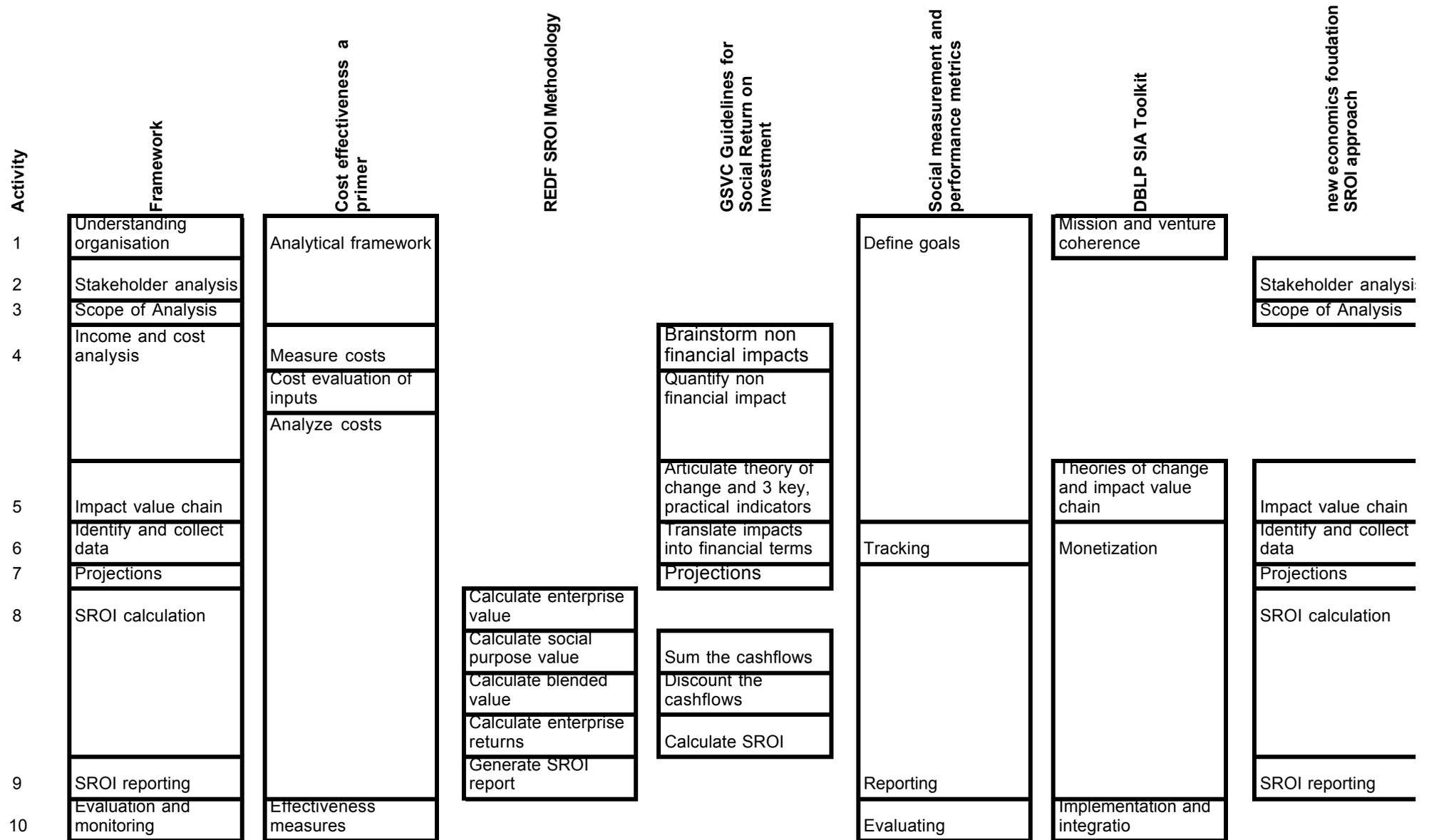
² Patterns that associate certain types and stages of organizations with certain option sets will likely emerge as the body of SROI Analyses grows. Very preliminary insights about typical option sets are presented after the Method section in Chart 2: Option Sets by Type of Organization.

2 Existing Approaches

There are a number of core activities that appear to be consistent across all known approaches to measuring monetized SROI. The basic approach is to identify sources of value, find indicators of this value, monetize these indicators, show the future projections of benefits and costs (including the relevant elements of financial reports), and discount these flows.

In Chart 1: Existing Approaches (below), the “Framework” column on the left refers to the activities described in the SROI Framework presented in this paper. Analysis of the methods below and experiences of members of the Working Circle informed the proposed Framework.

Chart 1: Existing Approaches



3 Principles

Ten design principles characterize overall SROI Analysis and calculation of the SROI number as articulated in this Framework.

- | | | |
|----|---------------|---|
| 1 | Feasible | A basic SROI Analysis should be something any organization can afford to prepare itself. |
| 2 | Accessible | The process should be understandable and relevant to organizations at various stages of development. |
| 3 | Rigorous | The method should be substantive and well-executed, and based upon premises that are validated by informed practitioners. |
| 4 | Replicable | The framework should result in similar conclusions when applied by different practitioners who use similar parameters (such as the scope and options). Thus, results should also be comparable over time and among organizations, at least among analyses that use similar options and where the options are clearly noted. |
| 5 | Transparent | The process by which the analysis was prepared, and the context in which results should be seen, should be transparent. |
| 6 | Credible | The results should be credible to investors, purchasers, managers and other users. |
| 7 | Integrative | The framework should relate to, and where possible integrate with, other approaches to understanding social value. |
| 8 | Avoids misuse | Proper application of the framework should reduce the risk of misuse of, or misleading, SROI numbers or analyses. |
| 9 | Open source | The framework should continuously informed and improved by the collective wisdom of practitioners in an inclusive, iterative process. |
| 10 | Useful | Applying the framework should result in information that enables users to make decisions or take actions that further their goals. |

4 Case Studies

To illustrate how the different options play out in different organizations, we provide the following case studies, which are then used to illustrate each step in the Framework.

For-profit, early-stage business: California

Early-stage, social business: Amsterdam

For detailed examples of calculations of SROI for nonprofit social enterprises, readers are referred to REDF's "SROI Methodology Paper" and "SROI Reports."

For-profit, early-stage business: California

Mobius Technologies of Grass Valley, California, manufactures and licenses a proprietary recycling technology for polyurethane foam scrap. With it, furniture and car manufacturers can recycle all their foam scrap, lowering new foam manufacturing costs by 5%, which represents a major edge in this mature industry.

In 2001 Mobius was raising its Series A round of venture funding, and sought investors interested in environmentally sound investments that could also deliver outstanding financial returns. Mobius' management team believed quantifying its environmental value proposition in the same kind of rigorous, quantitative terms investors would apply to their financial analysis would not only be expected by truly serious environmental investors, it would also help Mobius determine which investors were aligned with the firm's blended value proposition.

Mobius sought the assistance of a third party, SVT Consulting, to help prepare the analysis. First, the Mobius/SVT team identified studies by the Association of Plastics Manufacturers in Europe of the lifecycle impacts of the two main ingredients in foam, the chemicals TDI and polyol. The studies quantified the average amount of effluents, emissions and waste that result from each stage of production over the entire lifecycle, from the extraction of crude oil to post-consumer disposal.

While TDI and polyol account for between 90-97% of the mass in foam, the third largest potential ingredient, methylene chloride, also has significant environmental impacts, however, a life cycle study could not easily be obtained so these impacts were not quantified and monetized

in the analysis. Instead, the change in the estimated amount of methylene chloride output that might result from installations of Mobius equipment were quantified and noted in the SROI Analysis summary.

Next, Mobius broke down the recipes its customers would typically use for foam with and without recycled Mobius Powder™. By comparing these, Mobius could estimate the amount of TDI, polyol and methylene chloride a foam maker would no longer need to buy if it installed the equipment. SVT then linked this recipe to lifecycle breakdown from the APME studies the amounts by which emissions, effluents and waste would be reduced when these chemicals were not produced. Mobius provided its business plan projections over five years to establish the estimated amount of chemicals that would no longer be used by its foam-making customers over that period.

The analysis summarized the expected amounts of avoided byproducts (about ten different items) in a table, along with the health and environmental impacts that have been associated with the release of these into the air and water.

Finally, Mobius monetized some of its non-financial impacts using the dollar value of CO₂, SO_x and NO_x emissions credits. Current prices for these credits were obtained from the environmental brokerage of the financial services firm, Cantor Fitzgerald. The base case scenario assumed that foam makers would not be reintroducing any foam scrap back into the virgin chemical stream without Mobius, since no technology existed that could enable this. Foam scrap in the base case scenario was assumed to be used as carpet backing first, then either landfilled or incinerated. A rate of 15% was used to discount social cash flows to present value, based loosely on the firm's estimated degree of certainty that emissions will trade at the rates assumed, and the probability of reaching volume and process targets.

These calculations led to a social ROI of over 4 (406%).

Mobius also calculated the financial return to their customers over a 5-year period from installing the technology. The firm used a 10% discount rate, which reflected the cost of capital associated with purchasing the equipment. Mobius projected its financial ROI to customers over the period to be about 2.7 (271%). The firm did not calculate a "blended value" rate per the REDF model.

Early-stage social business: Amsterdam

Valid Express, a courier service started in 1999, now serves over 400 clients in greater Amsterdam, The Netherlands. Recently the company opened a second branch in The Hague. But Valid Express is not your typical courier service: 73% of the employees (22) have a physical handicap, and formerly were living on governmental illness allowances.

The firm's goals and objectives are:

- to be a commercial courier service with a high service level;

- to employ people with a physical handicap on a regular basis at regular wages; enabling these people to be independent from subsidies or charity; and
- to donate 45 cents per delivery to a medical institute for handicapped people.

The initial investment in the company consisted of a mix of commercial loans with different interest rates and some grants. In 2004, Valid Express enlisted the Dutch consultancy, Scholten & Franssen, to help it execute an SROI analysis to measure the economic and social value of this company.

The analysis team calculated both financial and social values with a 5-year projection of financial and social results. Both of these were based on past growth rate and past results. A base case scenario (deadweight) was taken into account to distinguish what Valid Express' stakeholders would likely have experienced if the company did not exist, and a discount rate of 6.92% (WACC) was used to discount both future social and financial values. The calculations led to a financial ROI of almost 2 points, and a social return rate of more than 13. The blended value rate was calculated as 6.69.

Social costs include adaptations to the cars in the fleet, lower productivity as a result of employees' handicaps, adaptations to the corporate building, and extra personal support. Cost savings and revenues were mainly found in reductions in governmental expenditures on welfare allowances and increased tax income.

Some items were open for discussion, such as the cost of displacement since jobs created for the target group probably displaced regular jobs at other businesses. These costs were not taken into account in this case. The appropriate time horizon over which to consider impacts was also debatable. For example, if an employee had previously been unemployed for 4 years, how long would this person have been unemployed (and thus on government allowance) if Valid Express had not created a job for the person? Another four years? More? Less? Ultimately the analysts took the average historic unemployment time for citizens of The Netherlands as the expected future unemployment time.

Other considerations were the value of free publicity Valid Express received because of its social mission (another courier service would have to pay for it), and the extra costs and benefits of presentations and company tours given by management.

5 Terms

To avoid otherwise inevitable differences in interpretation, the terms used in this Framework are defined here.

- Attribution** In a situation where a benefit is the result of the activities of more than one organization, attribution is a measure of the extent to which that benefit is the result of the activities of a particular organization.
- Blended value** Combining profit-making with social and environmental value creation. Some synonyms are “social” as in social venture, “sustainable,” and “double” and “triple bottom line.”
- Cost allocation** The attribution of costs or expenditure to activities related to a given program, product or business.
- Deadweight** “What would have happened anyway.” A measure of the outcome that would have happened even if the organization or business had not existed. The term “deadweight” is commonly used in Europe.
- Discounted Cash Flow (DCF)** The flow of income and expenditure in which future flows are recalculated to present day values by discounting due to the effects of inflation or the cost of capital.
- Discount rate** The interest rate used to discount future costs and benefits to a present value.
- Displacement** A measure of the extent to which impacts that would have been delivered by other organizations are not delivered by them, as a result of those impacts being delivered instead by the subject organization.
- Double Bottom Line Business** See Social Business.
- Economic** Having to do with impacts of a financial nature other than those internalized by the firm’s owners (e.g.: regular, old profits or losses) that result from operation of the business or organization.
- Environmental** Having to do with the natural environment, meaning living organisms and natural resources. Often the term social is used to include environmental considerations.

Financial	Having to do with the monetary transactions directly involved in the running of the business or organization, such as cash investments, purchases, dividends, and so on.
Impact	The difference between the outcome for stakeholders exposed to an enterprise's activities and the outcome that would have occurred without the enterprise's existence. Outcomes are adjusted for the effects of what would have happened anyway by defining a base case (in Europe this is also known as "deadweight") and the number of the same outcomes that are displaced from other organizations. Impacts may be negative, undesirable or unintended, as well as the converse.
Income	An organization's financial income from sales or grants. Social income relates to that part that has been allocated to social activities. The monetised value given to social benefits is termed monetised social benefit and total social income refers to the combination of social income and monetised social benefit.
Inputs	The resources used to operate the subject organization or activity: money, people, facilities, and equipment.
Internal Rate of Return (IRR)	The interest rate that, when applied to a set of cash flows, yields a net present value (NPV) of zero.
Materiality	The Materiality Principle as defined by AccountAbility (UK) requires that the organization has included in the report the information about its sustainability performance required by its stakeholders for them to be able to make informed judgments, decisions and actions.
Monetized	Represented in terms of the equivalent value of currency.
Net Present Value (NPV)	The value in today's dollars of future financial receipts and expenditures less the investment required to provide those receipts. Future cash flows are discounted by a stated interest rate, typically one that accounts for the effects of inflation, growth and risk.
Outcome	The positive or negative changes that occur in conditions, people and policies as a result of an organization's or program's inputs, activities and outputs. Outcomes measure the effects on immediate customers, individuals and groups who are affected both directly and indirectly, and the wider community. As such, outcomes may be direct or indirect. Direct outcomes follow from the outputs (i.e., getting a job), while indirect outcomes follow from the direct outcomes (i.e., increase in income due to job gained).
Output	A measurable unit of production created by a business' or organization's activities. This can be a good or service delivered, for example the number of people trained, or a by-product.

Proxy ^{***}	A measurement used in social science surveys or other research as an approximation to a desired measure that is impossible or inconvenient to obtain.
Social	Having to do with the social environment, meaning human beings and/or the community. Often “social” is used to mean any or all non-financial impacts including environmental and economic.
Social Beta	A theoretical measure of the level of risk associated with achieving a specific non-financial impact compared with the benchmark level. Based on the definition of investment beta , which is “a measure of volatility or level of risk against a benchmark, which can be the market or industry as a whole. It is calculated over a period of months. A value greater than one indicates that the object tends to change at a greater magnitude, whatever the direction.” ^{***}
Social Enterprise* or Social Business	An organization that uses business solutions to accomplish social goals. In a social enterprise, the social objective is the primary driver. Examples include social-purpose enterprises (US: for-profits with a social purpose), nonprofit (US: 501c3) business ventures, and cooperatives.
Social Return on Investment (SROI)*	A quantitative measure of social impact from a capital investment. Related concepts include benefit-cost analysis, economic rate of return, public sector value measurement and extra-financial impact assessment.
SROI Analysis	The process by which social return on investment is calculated.
Stakeholder*	Any person, group, or organization that can place a claim on an organization's attention, resources, or output, or is affected by that output. The natural environment is typically also considered a stakeholder, though it may not actually be able to place a claim.
Triple Bottom Line Business.	See Social Business.
Value*	The power of a good or service to command other goods in exchange for the present worth to typical users and investors of future benefits arising out of ownership of a property; the amount of money deemed to be the equivalent in worth of the subject property. The four essential elements of value are utility, scarcity, demand and transferability. Cost does not equal value, nor does equity. There are various types of value, such as market value, tax assessed value, book value, insurance value, use value, par value, rental value and replacement value.

* The Blended Value Glossary, 2004. www.blendedvalue.org.

** Double Bottom Line Methods Catalog, February 2004. www.rockfound.org.

*** Wikipedia, October 2004. www.wikipedia.org.

6 Method

This section details the ten activities involved in calculating SROI. Four main stages in the process of conducting an SROI analysis categorize the ten activities. Within these activities there are a number of options. Each activity and the relevant options are charted on the pages that follow.

Stage 1 - Construction

Activities at this stage define the scope of the analysis.

Activity 1 - Understand your goals for the analysis

Have you identified who is interested in the SROI analysis?

Have you clearly stated your organization's objectives overall, and your objectives for the SROI analysis?

Activity 2 – Identify the subject organization's stakeholders

Have you identified the stakeholders affected by the organization, enterprise or program that is the subject of the analysis?

Have you engaged with stakeholders in order to understand the impacts that the subject organization has on them in the course of achieving its objectives? *3 options*

Activity 3 - Determine the scope of the analysis

Will the analysis relate to all of the subject organization or only part? *2 options*

Have you been able to identify which of these impacts are relevant to the subject organization?

Activity 4 – Analyze income and expenditure

Are you able to break down the income and expenditures of the subject organization between the part that will be subject to the SROI analysis and the remainder?

Are you able to differentiate which relevant income and expenditures relate to social, economic and or environmental activities, outputs and outcomes of the subject organization? *3 options*

Activity 5 – Map the impact value chain

Have you been able to understand the effects the subject organization has in terms of outputs and outcomes? *4 options*

Stage 2 Content

Activities at this stage provide the actual content to be analyzed.

Activity 6 – Set indicators and collect data

Have you been able to identify indicators for each of your outputs and outcomes?

Have you estimated the extent to which your outcomes would have occurred without the subject organization's activities, and the extent to which its outcomes may have displaced outcomes of other organizations?

Have you estimated the extent to which outcomes you wish to track are dependent on the inputs or activities of other organizations? *4 options*

Do you have systems already in place for collecting information on the indicators you have chosen?

Do relevant proxy data on outcomes, the base case (what would have happened anyway), and impact exist?

Have you been able to assign a financial value to these data?

Activity – 7 Create projections

Over what timeframe have you projected the financial values? *2 Options*

Have you articulated the rationale for the timeframe you use?

Stage 3 Credibility

Activities at this stage determine and communicate the credibility of the analysis.

Activity 8 – Calculate social return

What calculations for social return have you used? *4 options*

Have you articulated a rationale for the discount rate you use, if any?

Have you done a sensitivity analysis to identify and test key variables and assumptions?

Activity 9 - Reporting

Have you prepared an SROI report that puts the numbers in context and clarifies assumptions?

Are results verified or audited by a third party? *2 options*

Stage 4 Continuity

This stage integrates the SROI analysis into business operations.

Activity 10 - Monitoring

What are your proposals for ongoing monitoring and evaluation?

Who will be responsible for ongoing data tracking and evaluation?

Are results fed back to internal decision makers to help them improve operations and measurement?

Key to the Method tables:

- The **Heading** builds on the four stages as outlined in “Guidelines for Social Return on Investment” (Lingane and Olsen, *California Management Review* 2004), and characterizes the Activity’s purpose as either related to Construction, Content, Credibility or Continuity.
- The **Activity** is numbered and named in the top left of the table, under the heading, and detailed below.
- The stages upon whose completion the activity is **Dependent** are included in the top right.
- There is **Guidance** for the completion of the activity, which is also drawn from “Guidelines”.
- The left hand side of the table has an activity **Description** and the right hand side provides the **Options** that can be chosen when completing the activity.
- Below this is a summary of **Things to include in the report**, such as assumptions that may be necessary to complete the Activity.*
- Lastly any **Documents** needed to perform or understand the activity or its results are also noted.

*Although only the **Things to include in the report** component of the table makes explicit recommendations about items to include in an SROI report, the purpose of SROI Analysis is to communicate useful information about the subject organization, so any content from the ten activities above that substantially advances this goal should be included in the report.

Stage 1 Construction	
Activity 1 – Understand your goals for the analysis	Dependent upon stage(s) – None
<p>Define your own organization’s values, vision, mission, objectives and activities. Determine your internal objectives for doing the SROI analysis. Determine whether the SROI analysis is to be used for forward-looking analysis (projections of results) or backward-looking analysis (assessment of results completed). If they are available, review business and strategic plans of the organization that is the subject of the analysis.</p>	
Description	Options
<p>At this stage you are defining the purpose for doing the analysis, and making a preliminary assessment of the scope of the analysis, whether system- or organization-wide, or unit- or program-specific. Further refinement of the scope will take place in Step 3.</p>	None
Guidance	
<p>Keep in mind that you should only monetize impacts if it is possible to monetize them credibly, given the context of the subject organization or industry. Don’t monetize if there is no reasonable or meaningful way to do so. Credibility and “reasonableness” must be defined by the community of SROI practitioners and their audience. The discussion this topic deserves is beyond the scope of this paper; however this is an area for further work on the part of those interested. Non-monetized impacts can and should still be monitored and reported.</p>	
Things to include in the report	
Summary of or links to business and strategic plan	

Example: When Mobius was raising its Series A round of venture funding, it sought investors interested in environmentally sound investments that could also deliver outstanding financial returns. Mobius’ management team wanted to quantify its projected environmental value proposition in the same kind of rigorous, quantitative terms investors would apply to their financial analysis because it assumed this would be expected by truly serious environmental investors. Management also intended that this analysis would also help them determine which investors were aligned with the firm’s blended value proposition.

Stage 1 Construction	
Activity 2 – Identify the subject organization’s stakeholders	Dependent upon stage(s) – 1
<p>Identify the stakeholders affected by the organization, enterprise or program that is the subject of the analysis. Define organizational objectives for the subject organization in relation to the activities being analyzed for the selected stakeholders. Review how the SROI Analysis will contribute to achieving these objectives.</p>	
Description	Options
<p>Social, environmental and economic values can accrue to all stakeholders. Examples of stakeholders include employees, customers, investors, suppliers, and neighbors/community members.</p> <p>The preliminary consideration of scope in Activity 1 would allow the analysis to be restricted to one or some stakeholders.</p>	<p>1 Define objectives for selected stakeholders using internal sources of information, without consulting stakeholders.</p> <p>2 Consult with stakeholders to determine objectives, but restrict them to a single most important objective for each stakeholder group.</p> <p>The choice of objectives is driven by stakeholders but focuses on the ones that are the most important. Some organizations will have greater congruence between stakeholders objectives than others.</p> <p>This option risks simplification of the complexity of stakeholder objectives and may be complicated by incompatibility of organization and stakeholder objectives.</p> <p>3 Develop a formal system for understanding stakeholder value and identifying important (selecting relevant) objectives (recommended).</p> <p>Note: The concept of “materiality” is becoming established in sustainability reporting circles as a solution to the question, “What impacts should be managed (tracked)?” The term has not been widely applied in SROI analysis.</p>
Guidance	
<p>Consider impacts made by and on all stakeholders, including those inside the subject organization, before deciding which are large or important enough to be included in the analysis.</p> <p>Note stakeholder engagement references in Appendix C: Additional Resources.</p>	
Things to include in the report	
List of the subject organization’s stakeholders	

Example: Mobius chose option 1. While its stakeholders included the environment, its employees, suppliers, customers, investors, and the community in which it operated, its goals for the SROI analysis were targeted to communicating with investors during the short window of time when they were considering an investment in Mobius. As such, an elaborate stakeholder engagement process was unnecessary.

Stage 1 Construction	
Activity 3 – Determine the scope of the analysis	Dependent upon stage(s) – 2
Determine what part(s) of the subject organization will be included in the analysis. Determine which stakeholder issues will be included in the analysis.	
<p>Description The SROI number can be calculated for a whole organization, but often it is necessary to limit the scope to a part of the organization because of time, capacity, data availability, relative importance of stakeholders, or because it is useful to analyze the impacts of just one area of activity. Where only part of an organization’s activities are included, it is important to allocate an appropriate share of overhead expenditure.</p> <p>Stakeholder issues. Although it is possible that all issues raised by stakeholders will be included in the analysis, it will often be the case that a number of issues are not relevant or informative to those for whom the analysis is being done. The process of reducing stakeholders’ issues to a relevant set may be informal or formal. However, it should always involve vetting issues in consideration of peers, legislation, stakeholders, affordability and the organization’s own objectives.</p> <p>An initial statement of the scope of the analysis ensures clarity for those involved, even though the scope may change as the analysis proceeds. Where it later proves too difficult to monetize some values, the statement of scope should clearly identify what has been excluded from the calculations.</p>	<p>Options</p> <ol style="list-style-type: none"> 1 Focus on all activities of the subject organization/entity and select the important issues yourself. 2 Focus on only some of the activities of the subject organization/entity and select the important issues yourself. 3 Focus on all activities of the subject organization/entity and formally involve stakeholders in the process of defining the important issues. 4 Focus on only some of the activities of the subject organization/entity, and formally involve stakeholders in the process of selecting the important issues relevant to those activities. <div style="background-color: #e0f7fa; padding: 10px; margin-top: 10px;"> <p>Example: Mobius chose option 1. Management included the whole company in the analysis, and considered all activities and outputs of which management was aware.</p> </div>
<p>Guidance Include only the benefits or proportional benefits that are created by (the part of) the subject organization.</p>	
<p>Things to include in the report Scope Reason for constriction in scope and discussion of any exclusions Description of method for allocation of income and expenditure to part of organization’s activities List of stakeholders that have been excluded</p>	

Stage 1 Construction	
Activity 4 – Analyze income and expenditure	Dependent upon stage(s) – 3
Develop statements of the income and expenditure associated with the activities being analyzed. If only some programs/units are included, allocate items in the profit and loss account between programs that are included in the SROI and those that are not.	
<p>Description</p> <p>In general, most businesses will not differentiate between investments, income or expenditures that contribute to the creation of non-financial (social, environmental or economic) value, and those that contribute to the creation of financial value.</p> <p>However, in the case of social businesses or enterprises that receive grants or make expenditures they would not have if not for their social mission-related activities, profit and loss accounts (income statements) may distinguish between “social (and economic and environmental)” income and expenditure and financial income and expenditure.</p> <p>Additions to capital in the balance sheet may contribute to social or other objectives as well. The share of the investment relevant to activities that generate social benefits would be the portion of investment used to calculate SROI.</p>	<p>Options</p> <p>1 Do not differentiate in the P & L between social and financial income and expenditure. If the analysis is backward-looking, include capital additions during the period.</p> <p>This option is appropriate for more conventional businesses, where all income and expenditure is considered one and the same as financial income. It is also appropriate for social enterprises, social businesses or social economy organizations where income (e.g. subsidy) and expenditure due to the social mission is small or zero and the organization does not expect this to change. Here, for the purposes of the SROI calculation, all income and expenditure is treated as social. (All income and expenditure would also be considered “financial” when the financial return is being calculated.)</p> <p>2 Analyze social income (income conventional businesses would not have, such as grants) and social expenditure (expenses conventional businesses would not have, such as counsellors for employees-in-training). If the analysis is backward-looking, include capital additions during the period.</p> <p>This is the approach to SROI typically used by nonprofit social enterprises and social businesses. The profit and loss for relevant activities are analyzed into “social” and “other” based on a combination of financial accounts and on the allocation of expenditure to the organization’s social objectives.</p> <p>3 Same as 2 above, but split the social part of the P & L into <u>social, economic and/or environmental</u> income and expenditure based on the organization’s objectives.</p> <p>Currently, corporate sustainability reporting typically involves financial reports and a social/economic/environmental report. Integrating sustainability reporting approaches with SROI analysis would involve a financial return and then an analysis of social, environmental and economic returns. Separate consideration of impacts can help clarify how value is generated.</p>
<p>Guidance</p> <p>Refer to REDF’s paper, “True Cost Accounting” (see Appendix C: Additional Resources).</p> <p>Example: Mobius chose option 1, since it did not have and was not seeking special income, grants or expenses related only to its environmental mission.</p>	
<p>Things to include in the report</p> <p>Source(s) of data for analysis</p> <p>Cost allocation rules used for analyzing income and expenditure</p>	

Stage 1 Construction	
Activity 5 – Map the impact value chain (logic model)	Dependent upon stage(s) – 4
Identify inputs, activities, outputs and outcomes of the unit of operations being analyzed. Consider impacts on each stakeholder.	
<p>Description</p> <p>In theory, the impact an organization has depends on its “inputs,” “outputs” and “outcomes” (see Terms). Inputs are within the control of the organization, while impacts may be affected by the activities of other organizations. There is a risk that impacts that are not attributable, or only partially attributable, to the organization will be included in the analysis. Where the organization has restricted its scope to just part of its activities, this step must include an assessment of interdependencies between other parts of the organization.</p> <p>As with the identification of objectives, an understanding of the impacts can be carried out with or without formal stakeholder engagement. The danger of not involving stakeholders is that the wrong things get measured. For example, managers may perceive the outcome to be getting a job, but for the person getting a job it is more likely to be getting <u>and keeping</u> a job.</p> <p>Note that there may be outcomes and therefore impacts that relate directly to stakeholders’ objectives (intended outcomes and impacts), and outcomes and impacts that are unintended but that are brought to the analyst’s attention by stakeholders.</p>	<p>Options</p> <ol style="list-style-type: none"> 1 Assess impacts on each (relevant) stakeholder from internal sources of information such as intake files, case management records or financial statements. 2 Assess impacts by a combination of a formal process of stakeholder engagement, such as interviews or surveys of participants, and internal sources of information. 3 Assess impacts by a combination of secondary research into comparable outcomes which are used as proxies, and internal sources of information. 4 Assess impacts by a combination of a formal process of stakeholder engagement, secondary research into comparable outcomes which are used as proxies, and internal sources of information. <div style="background-color: #e0f7fa; padding: 10px; margin-top: 10px;"> <p>Example: Mobius chose option 3. Management obtained lifecycle impact studies from the Association of Plastics Manufacturers in Europe, from which it derived its assessment of the outcomes (such as emission reductions) associated with its outputs (such as unit sales and associated decrease in virgin chemical purchases by its customers).</p> </div>
<p>Guidance</p> <p>Note that measuring what matters to stakeholders may require very different management information systems than measuring what the organization guesses or assumes matters to those stakeholders.</p> <p>Mature organizations, and those for whom highly credible proof of impact is very important, should have independent evaluation teams measuring impacts, at least occasionally.</p> <p>See Terms.</p>	
<p>Things to include in the report</p> <p>Impact value chain for each stakeholder and/or program/unit of analysis</p>	

Stage 2 Content	
Activity 6 – Set indicators and collect data	Dependent upon stage(s) 5 Note: If SROI is a projection, Activity 6 is the same as Activity 7.
<p>Map the benefits and, for each, choose indicators that are to be used to account for outcomes. Collect data. For each outcome, consider and deduct an estimate of what would have happened without the organization’s activities to account for impact. Discuss the basis for and certainty of this estimate.</p>	
<p>Description The data used in this activity will come from a combination of internal management information systems and external sources. If data are not available, either reasonable alternatives are required or the scope must be reduced. External sources will typically be required for proxies and for the base case calculations (the subtraction of what would have happened anyway). This is the stage where it becomes clear how far it is possible to measure and monetize benefits. Reporting must highlight those impacts for which magnetization has not been possible. Also, it may be possible that some outcomes are measurable, but not the corresponding impact, or that some outputs are measurable, but not the corresponding outcomes. These details should be included in the report (Step 9). The ability to take account in quantifiable terms of what would have happened anyway will depend on the availability of benchmarking data about the wider population of the stakeholder to which the benefit is accruing. It may be the case that available information does not relate to exactly the same population with which the organization is working. However these may be the best available estimates for the base case. Their limitations should be noted in the report. The same is true where the organization’s results are dependent on other programs or units. Currently there is no single, generally accepted process for assigning monetary values to social impacts. For some indicators there will be obvious monetary values, for others proxies will be required that may not be widely accepted. It may not be possible to monetize all indicators, or to do so in a credible way.</p>	<p>Options</p> <p>1 Only deduct an estimate of what would have happened anyway. Discuss the basis for and certainty of this estimate.</p> <p>2 Deduct an estimate of what would have happened anyway, and also discuss the extent to which outcomes depend upon inputs from other organizations. Discuss the basis for and certainty of both estimates.</p> <div style="background-color: #e0f7fa; padding: 10px; margin-top: 20px;"> <p>Example: Mobius’ SROI Analysis was a projection, so Activities 6 and 7 were the same.</p> <p>Because there were not any other organizations involved in generating the environmental benefits in question, Mobius deducted estimates of what would have happened anyway (option 1) without discussing the extent to which its net improvement in environmental outcomes were or were not dependent upon other contributors.</p> </div>
<p>Guidance Avoid double counting the value created by the organization. Avoid using market values where they do not reflect full costs and benefits. In industries or geographic areas in which impacts would be created by the existence of any business, do not count the impacts. See Appendix C: Additional Resources.</p>	
<p>Things to include in the report Both impacts with measurable indicators (outputs) the organization can track, and those without The extent to which each choice of indicator and monetization is credible/a commonly accepted indicator or valuation Indicators without financial values (that have not been monetized) and discussion on the effect this has on the calculated SROI How analysis of what would have happened anyway has been taken into account</p>	

Stage 2 Content	
Activity 7 – Create projections (optional)	Dependent upon stage(s) – 5 Note: If SROI is a projection, Activity 6 is the same as Activity 7.
Determine a time horizon over which to project future impact. Create projections of the future outputs, outcomes and impacts, and their monetized value. Also project social income, expenditure and investment over the period.	
<p>Description</p> <p>The monetary values of the benefits identified in Activity 6 can also be forecast to provide estimates of future years. Assumptions will be made and must be stated, for example, over how many years to project forward (what is the time horizon).</p> <p>If separate social income and expenditures have been identified through Activity 4, these can also be forecast to provide estimates for future years. Assumptions will be made and must be stated. These can be added in to produce a projection of the annual value of “total social income” – social income and monetized social benefits.</p> <p>The investment is the financial expenditure required to support the activities. Any future investment amounts should be forecast, and again assumptions stated.</p>	<p>Options</p> <p>1 Project into infinity using a terminal value.</p> <p>2 Select a number of years over which to project.</p> <p>This can be estimated by reference, for example, to the timescale of the business plan or the stated planning horizon of the stakeholders.</p> <p>Example: Mobius chose option 2 and projected its impact over 5 years. It assumed only those impacts that it anticipated would actually be generated based on customers’ reduced consumption of virgin chemicals, and the associated reduction in chemicals production.</p>
<p>Guidance</p> <p>See discussion of terminal value calculation in REDF SROI methodology.</p>	
<p>Things to include in the report</p> <p>Number of years chosen for the projections and rationale</p> <p>Terminal value, if used</p> <p>Growth rate(s) of production of units of social impact, and basis for these (similar to what would be included in discussion of financial projections)</p>	

Stage 3 Credibility	
Activity 8 – Calculate social return	Dependent upon stage(s) – 7
Perform the actual calculation of social return relative to investment.	
<p>Description</p> <p>Once the total for income and monetized social benefit and for expenditure and monetized social costs have been estimated for future years, it is possible to calculate SROI. There are other ways of measuring value that do not take into account the time value of money (meaning that do not require consideration of a discount rate) but that could be used by organizations starting to explore social value, for example, annual social value added per beneficiary.</p> <p>NPV can and should be complemented with other informative metrics. For example, total returns divided by total costs give an impact value per unit cost (a “unit cost”) metric. Another measure might be the number of years necessary for the total income to accrue to support the costs (the “payback” period).</p> <p>Since the results are dependent upon assumptions, sensitivity analysis is used to present a range of SROIs as a set of scenarios. For example, if impact is very sensitive to the number of people benefiting, the assumption about the number of people projected to be involved can be varied to show how the projected impact changes. In this case, a valuable metric for the enterprise to watch going forward (in Activities 9 and 10) will be the actual recorded benefit per person.</p>	<p>Options</p> <p>1 Standard NPV without sensitivity analysis A choice for discount rate is required and the reasons for the choice should be included. A basic market rate for bank business lending is a starting point and a single rate (determined by the weighted average cost of capital) is used for all financial flows. More information is in Appendix B: Discount rate.</p> <p>2 Standard NPV with sensitivity analysis</p> <p>3 Standard NPV with refined discount rate and without sensitivity analysis Discount rates appropriate for the industry can be used if available. Different rates can be used for individual social and financial cash flows.</p> <p>4 Standard NPV with refined discount rate and sensitivity analysis Changing assumptions can be used to identify those assumptions that generate biggest changes in SROI. These are the areas where management will focus attention. “Social Beta(s)” may be calculated in theory.</p> <div data-bbox="1196 995 1980 1273" style="background-color: #e0f7fa; padding: 10px; margin-top: 20px;"> <p>Example: Mobius chose option 4. It used a 20% discount rate based on the notion that typical financial projections for ventures of its stage are discounted using a given rate, and the uncertainty that social impacts would in fact be generated from Mobius’ activities added to this discount factor. Mobius SROI analysis included sensitivity analyses that showed the impact of changing key variables, such as the price of emission reduction credits.</p> </div>
<p>Guidance</p> <p>Address risk factors and consider and document choice of discount rate. Carry out a sensitivity analysis to identify key factors For more on “SROI Beta(s)” see Appendix A: Glossary and Appendix C: Additional Resources.</p>	
<p>Things to include in the report</p> <p>Choice of discount rate and assumptions Sensitivity analysis</p>	

Stage 3 Credibility	
Activity 9 - Reporting	Dependent upon stage(s) - 8
Develop a report summarizing the social return on investment analysis. Have results verified or audited by a third party if feasible and desired.	
<p>Description</p> <p>It is important to set the calculations of an SROI in context. Ideally a report should include:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The “vintage”: the date as of which the analysis is current <input type="checkbox"/> Information relating to the organization, its mission and goals and discussion of its work and activities <input type="checkbox"/> A financial analysis of the organization <input type="checkbox"/> A stakeholder map and analysis <input type="checkbox"/> Description of the SROI Analysis process followed above, in particular discussing the scope and restrictions, including a description of the impact value chain, the indicators selected, and related issues <input type="checkbox"/> Descriptions of tracking systems used to collect output data <input type="checkbox"/> Clarification of assumptions <input type="checkbox"/> Description of areas which have not been measured or monetized <input type="checkbox"/> Calculations of SROI and sensitivity <input type="checkbox"/> Statement that can be used to inform others seeking to use results for comparative purposes <input type="checkbox"/> An analysis of the results <input type="checkbox"/> Auditor’s letter and name 	<p>Options</p> <ol style="list-style-type: none"> 1. Do not have results verified or audited by a third party 2. Have results assured or audited by a third party <p>This would be the preferred option. It provides additional credibility for stakeholders using the report as well as a check that all the material issues will have been included in the analysis.</p> <div style="background-color: #e0f7fa; padding: 10px; margin-top: 20px;"> <p>Example: While Mobius had a third party develop its analysis using Mobius’ own sales projections and the “recipe” for foam it provided, it did not have the analysis verified externally. This was partly because at the time (and still today) there was no conventional expectation that this would be necessary, and thus management did not derive any added value from obtaining such a verification. Therefore it chose option 1.</p> </div>
<p>Guidance</p> <p>Put numbers into context. In writing up the scope for the analysis this will be a development of the scope that was set in Activity 3.</p>	
<p>Things to include in the report (see Description above)</p>	

Stage 4 Continuity	
Activity 10 – Monitoring	Dependent upon stage(s) – 6
Continually track data to inform management whether progress is being made toward desired outcomes, and whether unintended consequences are happening. This may also result in revisions to assumptions.	
<p>Description</p> <p>SROI analysis would be less resource intensive if the data it requires could be integrated in some fashion with the standard accounting system used by the organization.</p> <p>Some aspects of the analysis or data collection process may be outsourced to increase credibility or manageability of the process for the organization.</p>	<p>Options</p> <p>None.</p> <p>Example: The spreadsheet used to generate SROI Analysis, and subsequently modified versions of it, enable Mobius to calculate the environmental value to its potential customers, strategic partners and investors. In addition, some of Mobius' investors require it to monitor and report annually on its environmental, social and economic impacts on various stakeholder groups.</p>
<p>Guidance</p> <p>Include ongoing tracking of social impact.</p>	
<p>Things to include in the report</p> <p>Names of person(s) responsible for data tracking</p>	

Based on empirical experience to date, it appears that the options chosen by SROI Analysts relate to at least these three characteristics:

- the organization’s stage of development
- whether the organization receives subsidy for its social-purpose work
- whether it prefers to differentiate its social (and environmental) income and expenditure from its “financial” income and expenditure

The chart below sets out some patterns that tend to correspond with organizations that have these different characteristics and are interested in SROI Analysis.

Chart 2: Options Sets by Type of Organization

As the organization becomes more mature and values information about social returns, its SROI analysis becomes more comprehensive and involves more formal stakeholder engagement.

	Early-stage or small	Mature
Public (nonprofit)	Some stakeholder engagement (Activity 2) Analysis of some or all units (Activity 3)	Thorough stakeholder engagement Analysis of all units
Private	No or some stakeholder engagement Analysis of some or all units	Some or thorough stakeholder engagement Analysis of some or all units

Appendix A: History

Timeline of examples of Social Return on Investment Analysis.

1970s	Benefit cost analysis is mandated by the US Government for federal contracts.
1994-1995	Coastal Enterprises Incorporated (Wiscasset, USA), with funding from the Ford Foundation, studies the impact of its loan portfolio from 1983-1993. In 1996 it publishes a report on its SROI.
1996	REDF (San Francisco, USA) publishes “New Social Entrepreneurs,” including discussion of the SROI of two social purpose enterprises.
1999-2000	REDF implements SROI of the 23 social purpose enterprises run by the 7 nonprofit agencies in its philanthropic funding portfolio. REDF publishes its “SROI Methodology” in 2001.
1999-ongoing	Global Social Venture Competition (Berkeley, USA) competitors are required to present quantified social returns analyses in their business plan submissions.
2001	Mobius Technologies (Grass Valley, USA), a polyurethane foam recycling technology company, prepares a projected social returns analysis for use during its series A fundraising.
2001	Shorebank Advisory Services (Chicago, USA) prepares a projected SROI analysis for use during fundraising for Chicago Ventures Fund, a community development venture fund.
2002	Calvert Foundation (Bethesda, USA) builds an online “SROI calculator” for Community Investment Note portfolio organizations. This tracks non-monetary outputs relative to the investment required.
2002-2004	The Rockefeller Foundation’s Provenex Fund (San Francisco, USA) Double Bottom Line Project includes “Total Return on Investment” analysis on four investments made in early-stage for-profit companies by the foundation’s Provenex Fund.
2003	new economics foundation (London, UK) conducts an SROI pilot project with four social enterprises. nef publishes the pilot results in “Social Return on Investment: Valuing What Matters,” in 2004.
2003	new economics foundation and Scholten&Franssen (Amsterdam, NL) found the European SROI Network (ESROIN) after an international conference on SROI in Amsterdam.
2003-2005	Scholten&Franssen implements an SROI project with 15 social businesses in the Netherlands.
2004	Women's Initiative for Self Employment (San Francisco, USA) publishes an SROI analysis as part of the nonprofit's outcome evaluation report.

- 2004 The Aspen Institute's MicroTest performance monitoring program (Washington, D.C., USA) builds and proposes an SROI analysis model for use by practitioner member organizations (70 programs as of 2003) across the USA.
- 2005 new economics foundation launches an online "SROI Guide."

This history is not comprehensive and the authors welcome additions and updates.

Please send additions, suggestions and updates to sara@svtconsulting.com.

Appendix B: Discount Rate

A dollar or euro received in the future does not have the same value as a dollar or euro received today, since today's dollar could be invested at a certain interest rate, and since inflation will diminish the value of a dollar over time. To calculate the present value of a future dollar, therefore, it must be discounted by a relevant discount rate. The same applies to future social or environmental benefits (and costs).

What is the right discount rate for financial capital invested in projects? In principle it is the same as the rate of return for an alternative capital investment, or the "cost of capital." This is determined by the capital markets, and based on variables such as the probability that the investment will not succeed, and, if a real discount rate is used (that is, the nominal discount rate less the rate of inflation), inflation.

Conventionally, financial investments in government projects, for example, are discounted at the **risk free** rate. In European countries, discount rates for government investments vary.³ The Dutch government uses a standard discount rate of 4% per year for any investment in governmental projects (Ministry of Finance, 1995), because 4% is the average interest in the international capital market for long-term, risk free loans. No risk premiums are added for government projects. The European Commission (1997) took 5% as an appropriate starting point for investments in government projects for the European Union. The risk free rate in the US is usually about 2.5-5% depending on the investment horizon. By contrast, venture capitalists typically use a rate of 13-20% or more for their high-risk investments in early-stage companies.

However, this paper does not discuss the calculation of financial return on investment; it discusses non-financial return on investment. For these "social" returns, there are a number of additional issues to consider in theory. These include how certain it is that social impacts occur when the organization achieves its financial performance targets, how directly the expected social impacts are linked to the organization's activities (like sales), and the cost of the capital that would otherwise be used to create the social benefits the organization is creating.

While there is no standard convention yet in most parts of the world where SROI Analysis is used, a practice that seems to be emerging in Europe is to use the risk free rate to discount social returns. In the US this would be the US Treasury note (T-note, currently 4.2%) or bond (T-bond, 4.8%). Whatever rate is used, the important thing to know is how sensitive to it your analysis is.

If you feel stymied about the right rate to use, we recommend the risk free rate as a starting point, test how sensitive your result is to changes in the discount rate, and include a brief discussion of your choice and the sensitivity analysis in your report.

³ For example, the risk free rate in Germany is 3%, in the Netherlands is 4%, in the United Kingdom is 6%, in Denmark is 7%, and in France is 8%. In the US, the least risky investments are considered to be the short-term US Treasury bill, which matures in 90 days to 1 year (6-month rate was 2.48% as of 12/31/04), US Treasury notes, which mature in over 1 to 10 years (10-year rate was 4.20% as of 12/31/04), and Treasury bonds, which mature in more than 10 years (30-year rate was 4.83% as of 12/31/04). The appropriate rate to use when discounting using one of these risk free rates should correspond with the time horizon of the investment being discounted.

Appendix C: Additional Resources

Resources that may be useful at each step of the framework are provided here. More complete information on these can be found in “The Blended Value Map: Tracking the Intersects and Opportunities of Economic, Social and Environmental Value Creation.” <http://www.blendedvalue.org/Papers>.

Activity 1 - Understand the organization

There are a plethora of resources available online, in books and from consulting firms to help organizations define their mission and vision which can be researched using search engines like Google. www.google.com.

Activity 2 – Identify the stakeholders

AA1000 is a social accounts implementation process standard for corporations based on stakeholder accountability and engagement. It was published in its initial series in 1999 and is periodically revised by the UK-based, nonprofit consultancy AccountAbility. It includes a comprehensive set of accounts for financial, environmental and social impacts of operations. Establishment of the social accounts and processes for collecting data stipulated in the methodology requires approximately 6 months. Considerations include environmental impacts, human rights issues and process efficiencies meaningful for larger scale enterprises. www.accountability.org.uk.

Activity 3 – Determine the scope of the analysis

See AccountAbility’s guidance note: “Defining Materiality.” www.accountability.org.uk.

Activity 4 – Analyze income and expenditure

For guidance on the specific issues faced by nonprofit organizations with social purpose businesses, see REDF’s “SROI Methodology Paper” and “True Cost Accounting: the Allocation of Social Costs in Social Purpose Enterprises.” www.redf.org.

Activity 5 – Map the impact value chain

The W. K. Kellogg Foundation has a development guide to the “Logic Model,” another term for Impact Value Chain. Note that their definition of “impact” is different than the one used in here. www.wkkf.org.

Activity 6 - Set indicators and detail data

The Global Reporting Initiative (GRI) Sustainability Reporting Guidelines were published in 1999 after the Global Reporting Initiative was convened by the Coalition for Environmentally Responsible Economies ([CERES](http://www.ceres.org)) and the United Nations Environment Programme ([UNEP](http://www.unep.org)) in 1997. The Guidelines are for voluntary corporate disclosure of economic, environmental and social performance, and stipulate that corporations must report on their performance publicly to be in compliance. Providing answers to the questions in the GRI framework is not mandatory, e.g. a firm may answer “don’t know” to many items and still be in compliance. www.globalreporting.org.

Activity – 7 Create projections

For help creating financial projections and calculating ROI, see Solution Matrix LTD’s website links at www.solutionmatrix.com or REDF’s “SROI Methodology Paper” at www.redf.org.

Activity 8 – Calculate social return

See “**Guidelines for Social Return on Investment,**” in *California Management Review*; “**Social Return on Investment Analysis: Valuing What Matters**” from new economics foundation; and REDF’s “**SROI Methodology Paper.**” www.cmr.berkeley.edu, www.neweconomics.org, www.redf.org.

Activity 9 – Reporting

ACCESS is a reporting framework for social purpose organizations. www.accountability.org.uk/research/default.asp?pageid=114

AccountAbility is an international membership organization committed to enhancing the performance of organizations and to developing the competencies of individuals in social and ethical accountability and sustainable development. AccountAbility has developed a set of standard reporting guidelines called AA1000. www.accountability.org.uk/aa1000/default.asp. AccountAbility has also developed a standard for assurance called the AA1000 Assurance Standard.

Activity 10 – Monitoring

REDF's OASIS process and system is documented in a paper called "An Information OASIS" (2002). It is the most detailed social outcomes monitoring system known. www.redf.org.

The Rockefeller Foundation's "Double Bottom Line Methods Catalog" summarizes several approaches including OASIS and compares them to one another in terms of their applicability to different types of organizations. www.rockfound.org.

Both the **European Commission** and **World Bank** also have many resources related to monitoring and evaluation. Readers are referred to resources on the World Bank's Operations Evaluation Department site, www.worldbank.org/oed.

Selected Publications

These papers discuss Social Return on Investment Analysis as defined here, *e.g.*: the technique for quantifying and monetizing the social impact created by an organization relative to the investment required.

Clark, Catherine, William Rosenzweig, David Long, Sara Olsen, “Double Bottom Line Project Methods Catalog,” The Rockefeller Foundation, 2004.

Gair, Cynthia, “A Report from the Good Ship SROI,” The Roberts Enterprise Development Fund (REDF), 2002.

Emerson, Jed, Jay Wachowicz and Suzi Chun, “Social Return on Investment: Exploring Aspects of Value Creation in the Nonprofit Sector,” The Roberts Enterprise Development Fund (REDF), 1999.

Emerson, Jed, and Jay Wachowicz, “Riding on the Bleeding Edge: A Frameworks for Tracking Equity in the Social Sector and the Creation of a Nonprofit Stock Market,” in “REDF Box Set Volume 2 – Investor Perspectives,” The Roberts Enterprise Development Fund (REDF), 1999.

Gowdy, Heather, Jed Emerson, Melinda Tuan and Cynthia Gair, “True Cost Accounting: the Allocation of Social Costs in Social Purpose Enterprises,” The Roberts Enterprise Development Fund (REDF), 1999.

“Guide to Preparing SROI Analyses,” new economics foundation, 2004.

Lingane, Alison and Sara Olsen, “Guidelines for Social Return on Investment,” *California Management Review*, 2004.

Scholten, Peter, “Maatschappelijk Rendement Gemeten, Social Return on Investment,” SWP-books, 2003 (in Dutch).

“Social Return on Investment Analysis: Valuing What Matters,” new economics foundation, 2004.

“SROI Methodology Paper,” The Roberts Enterprise Development Fund (REDF), 2001.

Also see the “Blended Value Map” (www.blendedvalue.net) for a listing of publications related to the analysis in general of non-financial impact.

We also welcome examples of additional implementations of SROI Analysis, so that this Framework becomes a living document. Please send additions, suggestions and updates to sara@svtconsulting.com.

