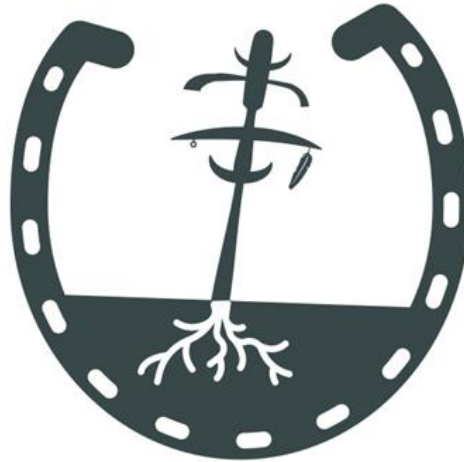


# SROI

(Social Return on Investment)



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## Origins of SROI

SROI originates in the 1990's from the **Robert's Enterprise Development Fund** when a cost-benefit analysis model was extended to include social benefits through monetising social outcomes. It is a people centric model which focuses on the most important sources of value as defined and experienced by stakeholders.

To achieve this SROI measures the value of benefits across a **triple bottom line of social, environmental and economic outcomes**.

There are two types of SROI

- **Evaluative: Retrospective** and based on existing outcomes.
- **Forecasting: Predicts** how much social value will be created if outcomes are achieved

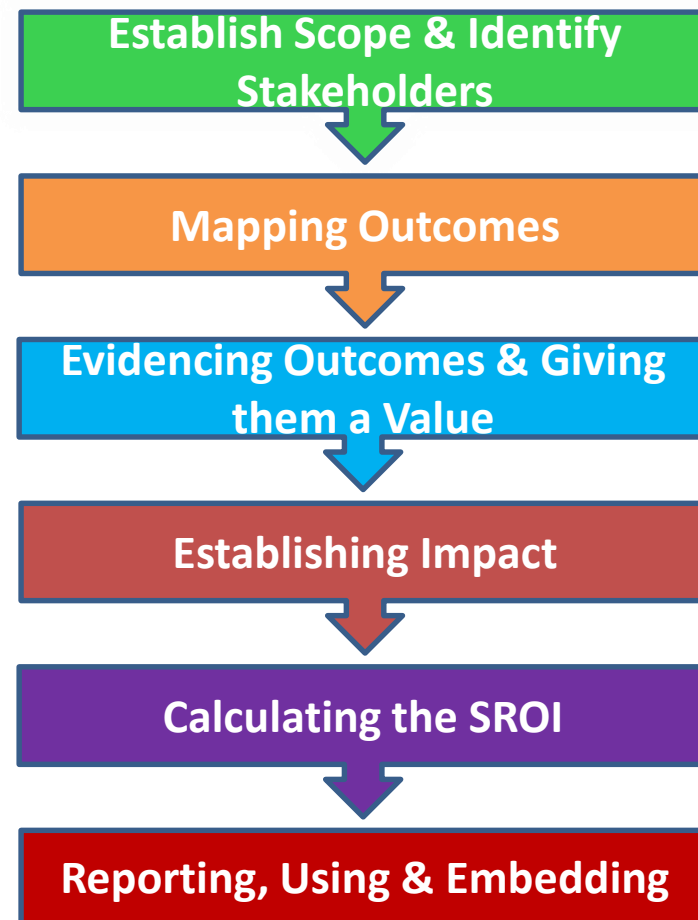


# SROI Principles & Stages

## Principles

- Involve stakeholders** Identify the stakeholders through the investment/implementation process and the beneficiaries/victims of change. Use interviews, surveys and electronic communications to invite stakeholder engagement.
- Understand what changes** Collect related information regularly during the project period to learn about the expected and unexpected effects of the project
- Value the things that matter** For significant outcomes produced by the project, attempt to collect and discuss an appropriate financial substitute so a price can be set even if the outcome is difficult to monetize.
- Only include what is material** More trivial changes or stakeholders of low importance during were not included in the analysis. °
- Do not over-claim** The positive benefits and negative impacts must both be considered during analysis. Significant negative impacts should also be assigned a value to avoid exaggerating the results of the analysis.
- Be transparent** All quantified data and information cited during analysis should be included in the SROI "Influence Map" form. The sources should also be provided or the method of quantization explained.
- Verify the result** The results of project analysis should be double-checked. Adjustment of key influence factors and selection of financial institutes for key accomplishments should be used to conduct a sensitivity analysis of the analysis results.

## Stages





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# Evidencing Outcomes & Giving Them a Value

1. Develop Indicators
  - Both Subjective and Objective
  - Value What Matters (to stakeholders)
2. Collect Outcomes Data
3. Establish how long outcomes last
4. **Put a value on the outcome**
  - Value the outcome not the indicator
  - Use financial proxies to estimate the social value of non-traded goods to different stakeholders.
  - Use research to establish financial proxy changes which occur directly and indirectly.
5. **Methods for Challenging Proxies**
  - **Stated Preference** and **Contingent Value**: How much would you pay to have or avoid a hypothetical thing.
  - **Revealed Preference / Hedonic Pricing**: How much one pays for related market goods to achieve the same outcome / build up a value from market value of constituent parts.
  - **Travel Cost / Time Value method**: Cost of travel or time loss.





## **Deadweight & Displacement**

Deadweight accounts for how much of the outcome would have been achieved had the intervention not taken place. (e.g. national economic change v intervention change)

Displacement accounts for changes that are shifted elsewhere or would have occurred regardless but for other non-stakeholders. (e.g. crime moves elsewhere or job gained would have gone to someone else in a similar situation.)

## **Attribution**

How much of the outcome occurred due to other organisations or people. (e.g. Other active interventions with the same outcome)

## **Drop-off**

Applies to outcomes that last longer than 1 year and focuses on decreased effectiveness or achievement of the outcome over time. (e.g. Technology implemented may become obsolete or less relevant over time.)

Apply each of these negative percentages to the total value of your outcome to

**Calculate Impact!**



# Calculate the SROI

## Projecting into the Future / Applying Drop-off

The calculated drop-off rate is applied to the total impact value for one year for all the years of duration of the outcome. (e.g. Yr 1 Outcome Value = R1000, drop off = 10% means Yr 2 Outcome Value = R900.)

## Calculating the net present value / Discounting

Discounting acknowledges peoples preference for instant gratification over long-term gains due to the risk that long-term gains may never materialise or greater gains are available elsewhere. i.e. Time-value of money. (e.g. accepting R20 in a years time over R10 now is a discount rate of 100%) Generally accepted rate between 3% and 3.5%.

Net Present Value = [Present Value of Benefits] – [Value of Investments]

## Calculate Ratio

SROI Ratio =  $\frac{\text{Present Value}}{\text{Value of Inputs}}$

Net SROI Ratio =  $\frac{\text{Net Present Value}}{\text{Value of Inputs}}$



# Merits & Pitfalls

## Merits

- Triple bottom line. (Social, Environmental & Economic),
- Values what is important to Stakeholders,
- Translates intangible value into terms people/investors understand,
- Easier to compare similar and substantially different interventions.
- Accounts for a broader understanding of stakeholders and value

## Pitfalls

- Not scientific,
- Relies heavily on assumptions and subjective value
- Values what is important to stakeholders,
- No two (2) consultants reach the same conclusion



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# Your Thoughts?!!



*Giving you an unfair advantage*





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# Tools & Resources



**Sinzer**  
*Value what matters*

## Articles:

**Joyce Yee**

[https://www.researchgate.net/figure/Example-of-an-SROI-Impact-Map-Nicholls-et-al-2009-pg-102-105\\_fig3\\_265570970](https://www.researchgate.net/figure/Example-of-an-SROI-Impact-Map-Nicholls-et-al-2009-pg-102-105_fig3_265570970)

## SROI Guide

[https://issuu.com/kameliashamsuddin/docs/a\\_guide\\_to\\_sroi\\_sroiworkshopforaun](https://issuu.com/kameliashamsuddin/docs/a_guide_to_sroi_sroiworkshopforaun)

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**THANK YOU!!!**



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