# SROI: Social Return on Investment

October 21, 2021
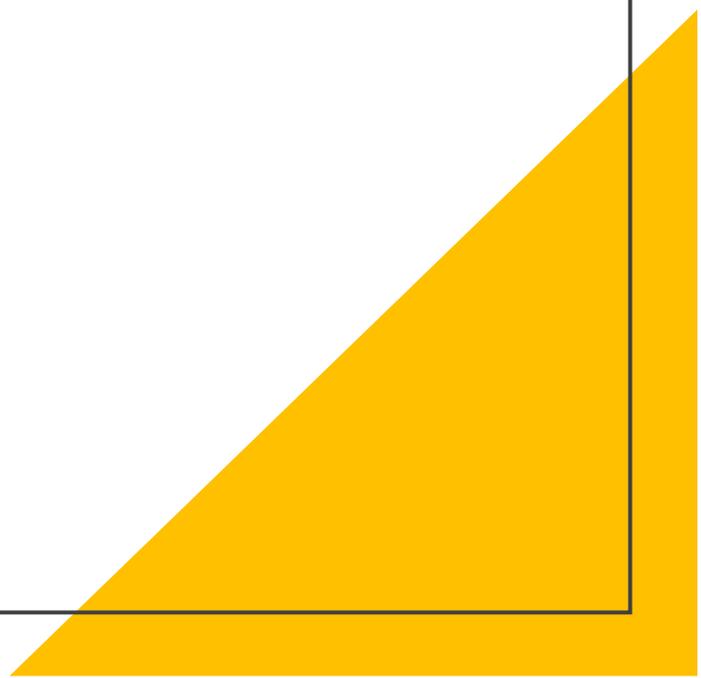
Welcome

This session will provide:

- Overview of the SROI framework

- Impact Measurement

- Outputs vs. Outcome

- SROI Examples

Who we are:

- Allison Ricket
- SEE Team, Ohio University

SOCIAL VALUE
INTERNATIONAL
ASSOCIATE PRACTITIONER

1 ASSOCIATE 2 ACCREDITED 3 ADVANCED

Origins and History of SROI Framework

Ohio University and SROI

- 2015: Pilot ARC Funded SEE; Selection of SROI as best tool
- 2015-2017: Development of OHIO Practitioner Toolkit
- 2015-2019: SROI analyses of 9 clients
- 2020-2021: SROI analyses of 4 clients
  - 4 currently in progress

Today's Topic

SROI Framework Overview

Social Return on Investment is a framework for calculating and communicating social impact using the universal language of money.

Problem:

-organizations and enterprises measure outputs, not impact

-no universal standard to measure and communicate success

•**Solution**:

•"Generally Accepted Impact Metrics"

•Thinking and Measure in Systems

- Measuring the ripple effects of impact

- Understand change to a variety of stakeholders

- Communicate clearly the impact to a wide audience
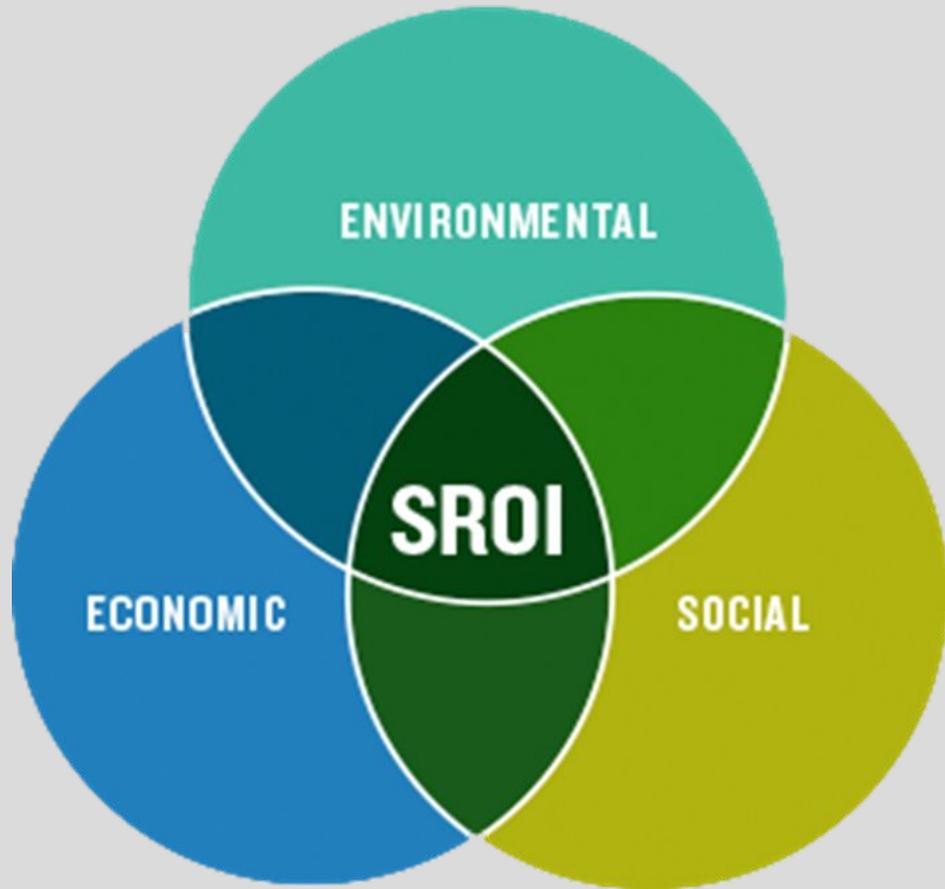
Key Concepts

Social Value

Fiscal Proxy

ROI/CBA

Key Concepts

Social Value

- The creation of value to the environmental, individual, larger social systems, and economy.

Fiscal Proxy

- Fiscal proxies are a "stand in" for the social value created. Fiscal proxies are the "generally accepted impact principles" used to express value, usually in **terms of cost avoided or benefit achieved.**

ROI/CBA

- Social Return on Investment is based on the familiar concept of *return on investment.* A simple math formula that employs complex inputs to define, measure and perhaps even justify an investment.

SROI Final Equation

The GAP – OUTCOMES vs. Outputs

What Then?

What changes as a result of the activity?

Ripple Effects

Examples of Outcomes

Habitat for Humanity® of Southeast Ohio
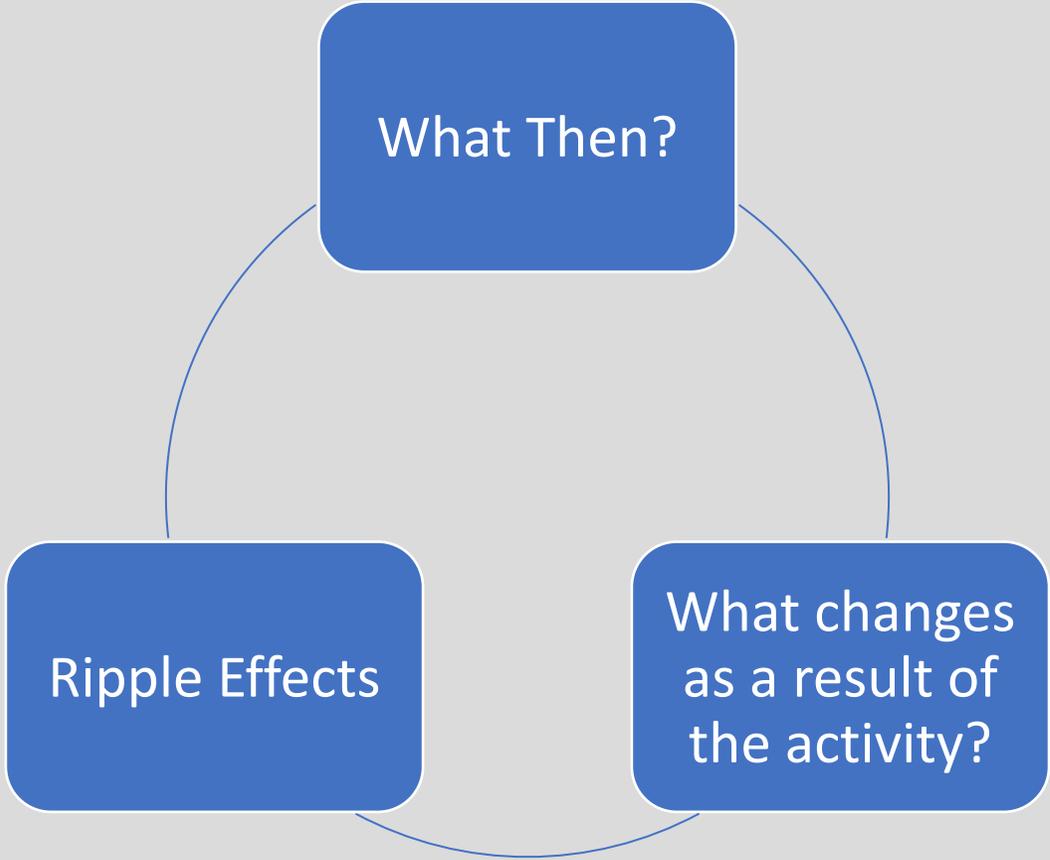
Outputs

2,000 Pounds of waste
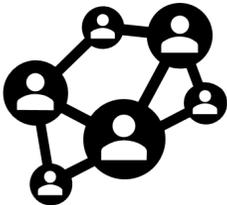
15 Households Served
36 youth
22 adults
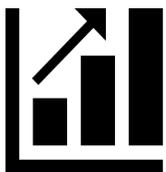
2 Buildings Remediated
12 Contract Jobs

Outcomes

Increased Use of Reusable Materials

Improved Relationships
Improved Living Environment

Decreased Crime
Decreased Commute Time = More Time Spent with Family

Outcomes that Matter

Previous emphasis on economic outcomes only

Community capitals understandings illustrate need for measurement framework for ecosystems

Well-being outcomes

Quality of life outcomes

Social Capital outcomes

Hope & Trust outcomes

Outcomes Examples

Environmental

- Reduced Landfill Waste
- Increased Access to Clean Water
- Biodiversity and Habitat Protection
- Conservation Awareness and Responsibility
- Habitat Protection
- Species Conservation
- Climate Change Adaptation
- Eliminate Acid Mine Drainage

Social

- Reduce Domestic Violence Recurrence
- Strengthen Individual Creativity Skills
- Reduce Perpetrator Recidivism
- Improved resilience, grit, and determination
- Reduction of stress and anxiety
- Increased self-efficacy
- Increased social capital: improved access to community services
- Improved perceptions of community and neighborhood
- Decreased loneliness and isolation

Economic

- Survivor Well-Being, Independence, and Financial Empowerment
- Access to Quality Resources
- Increase Financial Flows to Local Economy
- Reduce Commute Time for Workers

How to Decide What to Measure? STAKHOLDER INFORMED

Helping the Shift to Outcomes Measurement:

-What changed for you as a result of _____ program or activity?

-What is different for you now after _____ part of the program?

Engaging with primary beneficiaries to understand impact and degree of impact

Create a culture of deeply understanding change valued by stakeholders.

Data and Indicators

Every outcome is evidenced by an indicator

Outcome: "The results of program operations or activities; the effects triggered by the program."

Indicator: "A specific, observable, and measurable characteristic or change that shows the progress a program is making toward achieving a specified outcome."

Source: CDC Program Performance and Evaluation Office

Valuation of Outcomes: Fiscal Proxy

What is a proxy?

An approximation of value sourced from research

A monetary estimate of the social value of non-traded goods (Social Value International)

Proxies are formulated with Per-Unit Values and evidenced by indicators

Costs Avoided or Benefits Obtained
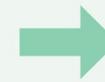
Outcomes → Indicators → Financial Proxies
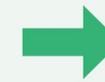
Financial Proxy

A monetary approximation of a social impact used in the calculation of SROI. Financial Proxies are based on per-unit values that are sourced from stakeholder research and academic sources.

Direct Financial Benefit or Cost Avoided
Direct financial earnings or expenditures eliminated

Travel Cost - Time Value Method
The costs or environmental cost associated with travel to obtain good or service

Wellbeing Valuation
Uses relationship between wellbeing and life factors such as health, income, civic engagement

Opportunity Cost
Loss of potential earnings when an alternative is chosen

Contingent Valuation
Willingness to Pay
Willingness to Accept Payment

Hedonic Pricing
The difference in price or wage as it relates to properties or characteristics of property, position, or experience

Damage Costs Avoided
Costs incurred to property, infrastructure, production as a result of ecosystem events

Benefit Transfer
Transfer of value estimates from on context or source to another

Market Prices
The market value of a similar good or service

Discounting Proxies

Attribution
An estimate of how much of the change is caused by other organizations

Drop-Off
The amount of change as lessens over time

Deadweight
The amount of change that would have happened anyway

Displacement
An account for negative outcome shifted to another area

SOCIAL ENTERPRISE ECOSYSTEM
Serving Ohio & West Virginia

Proxy Formulation

Output	Outcome	Indicator	Proxy
Quantitative Measure of Activity	Effects/Change Triggered by Activity	Measurement of Outcome	Representation of Value in $
Number of Participants 100	Less loneliness and isolation	Number of participants reporting less loneliness and isolation - 61	Cost of Loneliness per person = $1,692

Fiscal Proxy =
Value of reducing
loneliness and
isolation

62 beneficiaries * $1,692
= $104,904
 of social value

Social Return on Investment Dashboard

$1 invested in Phase I Habitat for Humanity Construction Company will create **$ 13.43** of social impact

Area of Impact	Calculated Value	Return Ratio
Health and Social Impacts to Low Income Persons	$ 324,213.07	1.8
Social Impact of Jobs Created	$ 680,790.00	3.8
Blight Mitigation Impacts	$ 1,172,400.00	6.5
Impact to Other NonProfits	$ 169,600.00	0.9
Environmental Impacts	$ 1,062.22	0.0059
TOTALS	**$2,418,065.29**	

Program Investment

Operating Costs	$	40,000.00
Employee Wages and Benefits	$	140,000.00
Additional Support or Investment		
Total Revenue from Contracts and Projects This Year	$	250,000.00
Profit Generated for Habitat for Humanity SEO Operations	$	70,000.00

Business Activity Inputs: Updated Annually

Number of construction company projects	18
Number of repairs	15
Number of blighted houses rebuilt	2
Total persons in family of Habitat construction company home	3.6
Adults served by construction company repairs	1.5
Children served by construction company repairs	2.4
Number of Habitat for Humanity construction company employees	3
Median Salary for Habitat for Humanity construction company position	$35,000.00
Average cost of construction company repair projects	$10,000.00
Number of contract jobs created by construction company	12
Average cost of contract jobs created by construction projects	$15,000.00
Average cost of Habitat construction company targeted house	$90,000.00
Total cost of rebuilding blighted housing invested by Habitat construction company	$150,000.00
Total pounds of waste diverted	2000

Social Return on Investment for True Pigments

Each year of operations generates an SROI of $ 15.97   for every $1 invested

When considering construction costs, the yearly SROI is $ 3.23   for every $1 invested

Operations Costs: Inputs

Total SG&A Expenses	$	178,632.00
Total Plant O&M Expenses	$	704,786.00
Total Expenses	$	883,418.00
Project Cost Estimate (construction costs)	$	3,489,408.00
Total Expenses Including Construction	$	4,372,826.00

Program Data: Update Here Annually for Automatic SROI Calculations

Pounds of iron oxide extracted per year	2,183,065
Miles of stream restored per year	7
Number of local workers employed per year	4
Estimated trail tourism visitors per year	5,967.00

Environmental Impacts		**Total Return**	$	10,834,793.01	12.3

$	8,760.81	Cost savings of domestic versus imported iron oxide.
$	130,983.90	Cost savings of using iron oxide rather than sending to local landfill.
$	10,826,032.20	Total cost savings of stream restoration (minus tipping fee-likely included in cost of restoration per linear foot)

Economic Impacts		**Total Return**	$	2,281,460.80	2.6

$	2,178,309.00	Total economic impact of first year operations, including direct, indirect, induced effects, and taxes (Michaud, True Pigments Proposal).
$	17,227.00	Value of Sunday Creek tributary contribution to Hocking River angler fishing in a one-year period (ODNR via True Pigments proposal)
$	85,924.80	Total value of an extra day stay for a family of four or more.

Social Impacts		**Total Return**	$	992,447.72	1.1

$	8,936.61	Total value to residents of streams that can support life.
$	112,209.00	Cost savings to Ohio of reclaiming acreage
$	55,910.79	Value to the public of life-sustaining stream.
$	82,880.00	Value of local jobs to workers
$	152,218.17	Health benefits of engaging in outdoor activities
$	580,293.15	Societal value placed on sustainable paint from True Pigments

Total Impact		$	14,108,701.52

The chart below shows that stream restoration accounts for nearly 77% of the social value of True Pigments.

All other social impacts, 2.9%

All other environmental and economic impacts, 0.8%

Stream restoration, 76.7%

Total economic impact of first year operations, 15.4%

Societal value placed on sustainable paint, 4.1%

This is a client-requested one-pager to share more of their accomplishments alongside their SROI study result.

Measuring Across Grantees, Portfolios

Articulation of theory of change

Prioritizing outcome areas

Encouraging a culture of outcomes measurement

Supporting substantive communication with beneficiaries

Changes to grant reporting to support change measurement and outcome defining

Thank you!

Who to Contact:

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