

WHAT IS SOCIAL RETURN ON INVESTMENT?

In normal financial analysis, Return on Investment is the ratio of money gained or lost relative to the money invested. In social service organizations, Social Return on Investment measures the financial value created by the organization through delivery of services to the community.

Social Return on Investment (SROI) is an approach to measuring and understanding the financial impact of an organization. While SROI is built on the logic of cost/benefit analysis, it is different in that it measures the comparable value of organizations whose results cannot be easily measured in money. In the same way that a business plan contains more information than simply financial projections, SROI provides information about actual and long-term results of services, and the qualitative, quantitative, and financial information on which to base decisions about the delivery of social services by organizations.

There are two types of SROI analysis:

- Evaluative analysis – which is based on actual outputs and outcomes that have already taken place or are currently in process;
- Forecast analysis, which predicts the value created when the activities meet their intended outcomes.

An SROI analysis can take many different forms. It can encompass the social value generated by an entire organization, or focus on just one specific aspect of the organization's work.

SROI analysis has been developing since the 1960's. The SROI process has become more fully developed during the last decade, primarily based on a detailed multi-year study conducted by The SROI Network, The New Economics Foundation, New Philanthropy Capital, the National Council on Voluntary Organization, and the Government of Scotland.

Community Services Analysis LLC is the first organization in the United States to be a member of The SROI Network.

There are two separate phases of SROI:

Phase 1 is the measurement of the value delivered to the community by the services currently being delivered by the organization (the “**Outputs**”). The most accurate and understandable measurement basis for these outputs is the Fair Market Value of the services being delivered - what it would cost the community to acquire the same services that a social service provider delivers if that provider did not exist – plus the value of benefits received during the immediate period under study. This result is a measurement of the comparative efficiency of the organization in delivering or providing the services.

Phase 2 is the measurement of the long-term value of the results of these output services delivered – known as the “**Outcomes**”. These measurements may take years to realize. For example, people with disabilities who receive training on independent living skills and how to more fully integrate within the community require significantly less financial support from the community over the course of their lives.

By way of another example, people who receive assistance in finding and retaining employment require less future financial support from their communities, plus their future demands on the law enforcement and legal systems are less, their future needs for community-based medical assistance are less, and their future tax payments are greater.

An SROI analysis can fulfill a range of purposes. It can be used as a tool for strategic planning, as a basis for funding and investment decisions, as a basis for communicating impact and financial results to stakeholders, and as a methodology for comparative evaluation of an organization’s long-term effectiveness.

While not the only basis for funding and investment decisions, the SROI results provide the most accurate and comprehensible answer to three of the important questions asked by funding decision makers:

- **What are the long term economic impacts from these services?**
- **What are the financial benefits we receive for our funding?**
- **What is the measurable “bang for the buck”?**