The ambitions and challenges of SROI

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In this discussion we would like to:

1. Show the potential and ambitions of SROI
2. Identify and discuss some of the challenges faced by SROI
3. Bring in results from additional research on how organisations approach impact assessment
4. Identify areas for future development and research
5. Invite your comments and experiences
Our starting point:

- SROI is an adjusted cost benefit analysis
- It aims to highlight and strengthen social and environmental values contributed by third sector organisations
- ... with the added value of enlightening and educating organisations and stakeholders
- Stakeholder involvement is one distinctive feature
• Ambitions
  – Measuring soft and hard outcomes
  – To develop consistency (while keeping flexibility)
  – For use by organisations, commissioners and funders

• Challenges
  – methodological and contextual
  – ... general and inherent to social impact measurement
  – ... specific for SROI
SROI and CBA

• ... is a form of economic analysis that compares costs and benefits over time;
• ... requires costs and benefits to be expressed in monetary terms;
  – Tangible and intangible costs and benefit
    – Wiliness to pay (or to accept = ‘compensation’)
    – Contingent evaluation
    – Revealed preferences
As with CBA, SROI combines in the form of a cash flow, the ratio of (discounted) costs and benefits over a certain period of time;

- Both deal with tangible and intangible costs
- Stakeholder consultation is distinctive to SROI
- SROI aims to combine methodological rigour with an inclusive, democratic process
SROI and valuing intangible social benefits

• Public spending figure as proxy for social change such as:
  – NHS average spending (costs)
  – Criminal justice costs
  – Unemployment benefits

• What types of savings are we talking about? Average, fixed, or marginal costs?
Valuing volunteering

• How is this valued? Minimum wage, average wage, wage value equivalent to activity?
• An input or output or outcome?
• What are the opportunity costs?
  – Organisations: recruitment and management of volunteers
  – For volunteers: time allocation between work, leisure and volunteering
Setting indicators

Practicalities, judgements, discretion:

- Guided by *assumptions* underlying a theory of change
- Guided by data availability, cost of SROI
- The nature of information: objectivity, social construction
Deadweight, displacement, attribution

Framing impact in time and space:
- What can be attributed to the program?
- What happened without the program?
- Can others have been affected negatively?
Competing principles and goals

• Setting organisational goals based on evaluations...
• ... can alter organisational preferences
• ... with unintended consequences:
  - under-performance according to organisational principles (e.g. being non-judgmental, client-led)
  - on target for project goals
Using and reporting SROI

• Temptation to use SROI for comparing organisations despite warnings
  – By organisations themselves – marketing strategy
  – By funders and commissioners

• Risk of how others interpret the findings
  – Over-emphasis on the ratio
  – Organisations feel exposed and vulnerable
Cost of conducting SROI

- SROI process unaffordable for many
- Large number of SROIs completed have been ‘pilot projects’
- Costs range from £4,000 for a limited version, to hundreds of thousands of pounds
- Costs high due to professionalisation of process required to ensure quality
Setting a research agenda

• How do organisations handle the discretion in setting proxies, and values?
• Customised SROIs – trade offs in methodological rigour?
• Is combined prove-and-improve approach possible?
• What are the dynamics in stakeholder engagement?
• How do organisations use a completed SROI?
• SROI affecting commissioners and investors?
• SROI and performance management: what’s the relationship?
• Are tangible measurable activities prioritised over the less tangible?