

# TOWARDS IMPLEMENTATION OF SROI: A CASE STUDY

<sup>1</sup>J.D. CABEDO, <sup>2</sup>I. FUERTES, <sup>3</sup>I. JIMENO, <sup>4</sup>A. MASET-LLAUDES, <sup>5</sup>J. M. TIRADO

<sup>1,2,3,4</sup>Department of Finance and Accounting/Institute for Local Development/Universitat Jaume I, Spain  
E-mail: <sup>1</sup>cabedo@uji.es, <sup>2</sup>ifuentes@uji.es, <sup>3</sup>ijimeno@uji.es, <sup>4</sup>maset@uji.es, <sup>5</sup>tirado@uji.es

---

**Abstract-** The main difference between for-profit companies and charitable non-profit (NGOs) is the type of value created. Traditional for-profit companies (private sector) only generate economic value while charitable non-profits (Third Sector) create social value. However, both need to be transparent with their resource providers (whether they are investors, donors or governments). In the case of NGOs, that means reporting on the added social value offered to society -that is to say on social impact. The purpose of this paper is to deepen into the measurement of social impact through SROI methodology. We focus on the first stage which is to identify the changes experienced by stakeholders directly and indirectly involved in a detox project. We study a detoxification center as a case study. After involving stakeholders, several tools were used to gather the relevant information such as interviews and questionnaires. The center has a significant social impact. The study shows that it contributes to improve the quality of life of both, users and families; it also allows to volunteers to enhance their professional experience. All these result in costs savings for governmental institutions.

---

**Index Terms-** SROI, social impact, stakeholders, NGOs.

---

## I. INTRODUCTION

For-profit companies' main goal is to be profitable in financial terms. For this reason, a sign of success is to earn enough not only to cover costs incurred but also an attractive reward for the owners. However, nonprofits (NGOs) have a purely social purpose. These organizations offer a service to society without seeking neither economic nor private profit generation. They pursue individual improvement and social well-being by reaching solutions to social problems. The value created accrues primarily to society as a whole rather than to private individuals. Therefore, the greater the social value, the more successful the NGO is. Thus, social impact reveals itself as the true measure of an NGO's success.

One of the most relevant features of NGOs is that their funding sources come mainly from donations and subsidies. As mentioned above, they use these funds, public or private, to carry out activities that meet social needs. Their effects go beyond the immediate and purely economic results.

The government, donors and society increasingly demand transparency ([1]-[2]-[3]) thence, nonprofits have to face a major challenge in terms of ensuring transparency of economic, social and environmental impacts; have to provide useful information for decision-making [4]-[5]-[6] and also should ensure accountability in the use of public resources [7].

Furthermore, given the current context of economic crisis and scarce resources, there is high competition among NGOs for funds. This competitiveness makes NGOs more transparent [8].

Traditionally, it is assumed that organizations with social purpose generate social impact. In fact, the reinvestment of their benefits was deemed to be sufficient evidence of compliance with their purpose. However, the economic and financial worldwide crisis has caused some interest about where the resources have gone. As investors are trying to maximize impact

with limited resources they prefer to give their limited resources to NGOs that make a bigger social impact [9]-[10]. They want to know what is the impact their money generates on society [11]. In other words, they need - and have the right- to have information about whether they are helping or undermining the development towards a healthy and sustainable society and environment. That is why currently the concept and calculation of social impact is so important and can play a significant role in supporting fund raising activities [12]-[10]. Social impact is said to be the effect of changes that occur when carrying out a project or activity on a group of people with human needs. Therefore, we can conclude that identifying substantial changes in individuals related to a social project/activity is an essential stage in order to set what social impact is and how to measure it.

This is what we have dealt with in this paper, as a first approximation for calculating the SROI. The purpose is also to make the implementation of SROI easier by showing a case study. We have selected a detoxification center to study what changes occur in the stakeholders that are related to the center activities. We have structured the rest of the paper as follows: in the next section we do a review of the literature on social impact. In Section 3 we explain the case study. Section 4 shows the results. Finally, in the last section we collect our main conclusions

## II. LITERATURE REVIEW OF SOCIAL IMPACT

There is a diversity of methods for calculating the social impact. This is because each investor and each organization had developed its own measuring instrument [13]. In addition, we must take into account

Acknowledgment: The authors would like to thank the Generalitat Valenciana, project AICO 2015/024, and the Universitat Jaume I, project P1-1B2013-16 for their financial support

that the term “social impact” is widely used but poorly defined. This situation produces profuse methodologies that measure social impact, measuring some aspects but ignoring others [14]-[15]. We have to consider that measuring social impact should go beyond counting the number of people who have been cared for by a support service because these results are merely outputs. Impact has more to do with changes that happen in behaviour. Therefore, with the purpose of measuring social impact we ought to ask what kind of changes have been produced by the organization as a whole –or in a singular project or activity. [11]. Despite the differences among authors when defining the concept of social impact, all approaches commonly understand that what it is intended to measure are the improvements made in society [16]-[11]. It can be said that the social impact is the effect of changes that occur in carrying out a project or activity on a group of people with human needs. These changes can have direct and indirect effects, can be planned and non-expected, positive and negative, medium and long term [11]. Starting out from this premise, changes are the initial key point when dealing with social impact. In the nineties, two methods of measuring social impact were already applied. These methodologies are Social Cost-Effectiveness Analysis (SCEA) and Social Cost-Benefit Analysis (CBA). Other methodology is the logical model, Theory of Change and the Social Accounting and Auditing. These are different approaches that encourage organizations to measure their projects [17]. We can see several classifications of the approaches and methods of social impact in table 1. The most commonly used are the Social Audit and Accounting (SAA) and the Social Return On Investment (SROI) [19]-[20]. Social Return On Investment has emerged as a preferred technique for measuring impact and outcomes [21]. Weighing pros and cons, the SROI has been fostered as a means to capture social value because enables to translate it into a monetary value [15]. The SROI methodology is built around a cost benefit scheme ([16]-[22]-[23]) and borrows elements from the CBA method. It compares quantified costs and benefits to evaluate the desirability of a given intervention expressed in monetary units. The SROI measures the value of social benefits created by an organization in relation to the relative cost of achieving those benefits. To calculate this, every not directly economic benefit of the activity has to be quantified. The result is a ratio of monetized social value. The monetized process plays an important rule, but not an exclusive one [24].

**Table 1. Methods for assessing social impact. A basic logic model (Source: Ebrahim & Rangan [18])**

Methods	Innovators and Users
<b>Expected return</b>	<ul style="list-style-type: none"> <li>• Acumen Fund – best available charitable option (BACO)</li> <li>• REDF –social return on investment (SROI)</li> <li>• Robin Hood Foundation – benefit-cost ratios (BCR)</li> <li>• Millennium Challenge Corporation – economic rate of return (ERR)</li> </ul>

<b>Experimental methods</b> Randomized control trials	<ul style="list-style-type: none"> <li>• Abdul Latif Jameel Poverty Action Lab, MIT</li> <li>• Innovations for Poverty Action</li> </ul>
<b>Logic models</b> <ul style="list-style-type: none"> <li>• Logic models or frameworks, Results Based Management</li> <li>• Outcome management</li> </ul>	<ul style="list-style-type: none"> <li>• United States (USAID)</li> <li>• Australia (AusAID)</li> <li>• Sweden (SIDA)</li> <li>• W.K. Kellogg Foundation</li> <li>• Innovation Network</li> <li>• Urban Institute</li> <li>• United Way of America</li> </ul>
<b>Strategy approaches</b> Balanced scorecards and strategy maps, dashboards, and related tools	<ul style="list-style-type: none"> <li>• NewProfit Inc.</li> <li>• Blue Avocado</li> </ul>
<b>Participatory and relationship-based methods</b> <ul style="list-style-type: none"> <li>• Outcome mapping</li> <li>• Constituency feedback and perception reports</li> <li>• Most significant changes; story-based evaluation</li> <li>• Participatory rural appraisal (PRA) and variants</li> <li>• Participatory poverty assessment</li> </ul>	<ul style="list-style-type: none"> <li>• International Development ResearchCentre, Canada</li> <li>• Center for Effective Philanthropy</li> <li>• Keystone Accountability</li> <li>• Youth Truth</li> <li>• M&amp;E News (Rick Davies)</li> <li>• Clear Horizon (Jess Dart)</li> <li>• Institute of Development Studies (Robert Chambers)</li> <li>• International Institute for Environment and Development</li> <li>• U.N. Food and Agriculture Organization (FAO)</li> <li>• World Bank</li> </ul>
<b>Integrative approaches</b> <ul style="list-style-type: none"> <li>• Organizational systems for impact planning, assessment, accountability and learning</li> <li>• Complexity science and systems thinking approaches</li> </ul>	<ul style="list-style-type: none"> <li>• ActionAid International</li> <li>• @Keystone Accountability</li> <li>• iScale</li> <li>• Grassroots Business Fund</li> </ul>

### The core principles of SROI analysis are:

1. Involve stakeholders.
2. Understand the changes and impacts created by the organization. Then, capture these changes on a map of impacts. The map of impacts connects resources that have been devoted to certain activities with the results of those activities.
3. Know the limits of the impacts of a program or an organization; only the value that organisations are responsible for creating needs to be claimed. Do not overclaim.
4. Only include significant impacts.
5. Assign economic values to every result (monetization).
6. Be transparent. Transparency is the basis of the analysis. That means that each decision relating to stakeholders, outcomes, indicators and benchmarks; the sources and methods of information collection; the different scenarios considered and the communication of the results to stakeholders, should be explained and documented.

### The stages of analysis are [24]:

- Stage 1: Stakeholders identification. The first step is to know what the limits of the analysis are. We determine the scope of the study and this allows us to

identify the stakeholders.

- Stage 2: Information gathering. Based on this, it is possible to map outcomes and give them a value. We need to collect data to identify inputs, outputs, outcomes and measure the degree of compliance with the outcomes. After that, we assign monetary value to the result. It is probably difficult to measure this value, but we can have a first approach to monetization in order to calculate the SROI. This stage is very important and decidedly depends on the accurate identification of changes (outcomes). Since it is also the most subjective stage transparency becomes truly important.
- Stage 3: Results and impact assessment. We have to develop some estimates to evaluate the extent to which the results previously identified are due to the activities carried out by the project or organization.
- Stage 4: Communication. In the last step, we have to write a report to communicate the result to the different stakeholders.

All the above mentioned give us the idea of how important it is to identify positive changes that are taking place in the society when implementing social impact through SROI. It is the cornerstone of this process. [25]. But more important than theorising further on the issue it is to apply it to the current NGO's reality. This is the reason we analyse a detoxification center as a case study: we want to know what kind of positive changes a center like this one offers to society as a preliminary step when implementing SROI.

### III. THE CASE STUDY

#### A. PATIM, the detoxification center

The case study was developed in a center for addiction control both, toxic and nontoxic substances. We focused on the programme that deals with toxic addictions. The detoxification center belongs to an NGO called PATIM. This organization also provides other activities and programmes all of them oriented towards reaching solutions to social problems.

The purpose of the center studied is to assist detoxification and help reintegration of users who have toxic addictions. People with toxic dependences are taken care of by professionals and volunteers. The center carries out multitude of activities to meet its goals such as: educational, social, therapeutic, employment guidance, communication, relapse prevention, conflict resolution, IT and metacognitive sessions. These activities are designed in such a way that users can develop certain skills and daily behaviour habits. The center has a capacity to serve twenty people with boarding facilities. The average length of user stay in the center varies from three to six months.

Once the centre's main characteristics are known, the next step is to implement each of the different phases and tasks that are necessary to calculate the SROI. This study shows two of the most important processes:

the data-gathering procedure in order to identify the stakeholders and subsequently the process of detecting the changes experienced.

#### B. Methodology

The methodology used for these stages is qualitative. Interviews and questionnaires were revealed as essential tools. We conducted in-depth interviews to all the different stakeholders involved in the project. This allowed us to: (1) analyze the environment, (2) detect people who are related to the project and (3) make a first approximation of the changes experienced by them.

By means of several interviews with all potential stakeholders, specific questionnaires were designed for users and relatives, as the main direct beneficiaries. Thus, we were able to extract significant information about the experiences of different stakeholders. This information was crucial to identify changes in the stakeholders involved in the programme.

#### C. Main Results

The starting point was the meeting with the coordinator of the organization, the person who understands the big picture of the organization and knows how it works as a whole. As a result we established the initial scope of what SROI should cover and how to carry it out. Among the range of services the organization offers, the specific detox programme was determined to measure the impact due to several reasons: (1) it is a programme firmly based on years of experience (2) it has a greater potential interest to the community, and (3) constraints of time and staff.

The next step was to identify stakeholders. The following were distinguished as people that can affect or are affected by the center activities.

- Professionals (workers): two psychologists, three social educators and a nurse.
- Users: people who join the programme to detoxify.
- Users' relatives: families, partners.
- Volunteers: people providing services without payment. In this case, the volunteers are young professionals.
- Public Administration: National Health Care System.

Once the initial scope of the SROI had been settled and potential stakeholders had been identified, we made an appointment with the psychologist responsible for the programme. This interview allowed us to dismiss workers as stakeholders, due to the deadweight detected (the observed changes would happen anyway, which is to say, professionals would probably do the same job in another company). In addition, a stakeholder engagement plan was put forward in order to select the approaches to be used to understand their goals and objectives. Several meetings and interviews were scheduled for the next stage.

Then, in-depth interviews were carried out in both patients and volunteers which led us to identify the

range of changes experienced on the basis of expectations and goals.

1. Changes experienced by users:

a. Improvement in healthier lifestyles. Their stay in the center allows them to have new routines as working out or keeping up personal hygiene and cleaning habits.

b. Health improvement. The number of hospital visits has decreased after joining the programme due mainly to the healthier way of life they live. That can be seen as a cost savings for the National Healthcare Service (a governmental agency).

c. Self-control, self-confidence and self-esteem improvement.

d. Improvement in social skills and strengthening family bonds.

2. Changes experienced by relatives:

a. Improvement in mental health. They feel more relaxed and satisfied with the new situation.

b. Individual satisfaction improvement due to the reduction of tensions in family relationships.

3. Changes experienced by volunteers:

a. Increases in satisfaction, training and experience. They enjoy the opportunity to work with people. Volunteers prepare their own sessions. All this work helps them gain experience.

b. Expertise increases. Background is a key factor to open new professional opportunities and to launch a professional career.

Summarising, once users have gone through the programme at the detox center, they have a higher quality of life. They reported to have new habits and routines that help them make a new life as well as new tools for self-control to try to avoid relapse. And, family members feel more relaxed and satisfied with this new situation. Likewise, volunteers reported that the activities performed brought them more experience and better job opportunities.

#### IV. FINAL REMARKS

NGOs play an important role in our society. These nonprofits have a purely social purpose and their funding sources come from donations and subsidies. The economic and financial worldwide crisis has triggered the interest within donors and society about where the resources go. They need -and have the right- to have information about whether they are helping or undermining the development towards a healthy and sustainable society and environment.

As investors are trying to maximize impact with limited resources they prefer to give their limited resources to NGOs that make a bigger social impact. This fact made nonprofits more competitive among them. The high level of competitiveness to ask for funds has made them more transparent. In fact, there is no doubt than information on the social impact is fundamental for nonprofits. In that way, social return on investment has emerged as a preferred technique

for measuring impact and outcomes.

In this paper, we have analyzed a detoxification center to detect the changes that stakeholders have experienced in relation with the detox programme carried out by the center. Detecting these changes was a first step to calculate the SROI.

To achieve this aim, we conducted in-depth interviews and surveys as a qualitative methodology with the purpose of analysing the environment, setting the scope of the study, identifying groups of people who are related to the project and making a first approximation to the changes experienced by individuals.

Healthy lifestyles, self-control and self-confidence improvements as well as better social skills and family relationships are some of the changes experienced by users once they have gone through the center. They report, in summary, a better quality of physical, mental and psychological life. All these improvements represent a cost savings for the government. Family members also report to feel more relaxed and satisfied with this new situation. Finally, increases in training and experience, as well as more job opportunities are the changes most experienced by volunteers.

In conclusion, the most important social impacts are: improvements in quality of life for both users and families combined with working experience gained by volunteers and saving costs for governmental institutions.

#### ACKNOWLEDGMENT

The authors would like to thank the Generalitat Valenciana (project AICO 2015/024) and Universitat Jaume I (project P1-1B2013-1)6 for their financial support.

#### REFERENCES

- [1] Moneva, J. M., & Bellostas, A. "Accountability en las entidades sin fines lucrativos". Centros de Investigación de Economía y Sociedad, 2007.
- [2] Marcuello, C., Bellostas, A., Marcuello, C., & Moneva, J. M. Transparencia y rendición de cuentas en las empresas de inserción. CIRIEC-España, revista de economía pública, social y cooperativa, vol. 59, pp. 91-122, 2007.
- [3] Corral Lage, J., & Elechiguerra Arrizabalaga, C. Razones por las que se demanda una necesidad de transparencia en las entidades no lucrativas: estudio empírico. Harvard Deusto Business Research, 3(1), pp. 47-61, 2014.
- [4] Polonsky, M. J. Who receives the most help: the most needy or those with the best marketers?" International Journal of Nonprofit and Voluntary Sector Marketing, 8(4), pp. 202-204, 2003.
- [5] Goerke, J. Taking the quantum leap: nonprofits are now in business: An Australian perspective. International Journal of Nonprofit and Voluntary Sector Marketing 8(4), pp. 307-316, 2003.
- [6] Nicholls, J. Why measuring and communicating social value can help social enterprise become more competitive. Office of the Third Sector, Cabinet Office, UK. 2007.
- [7] Bouckaert L. & Vandenhove J). Business ethics and the management of non-profit institutions." Journal of Business Ethics, 17(9-10), pp. 1073-1081, 1998.
- [8] Bonbright, D. The changing face o accountability of NGOs. In "Walk the Talk" International Seminar. Sociedad Civil y

- Rendición de Cuentas. Fundación Kellogg/Instituto de Comunicación y Desarrollo, Montevideo (Vol. 16), 2007.
- [9] Clifford, J., Hehenberger, L., & Ors, F. M. Proposed Approaches to Social Impact Measurement in European Commission legislation and in practice relating to: EuSEFs and the EaSI. GECES (Retrieved June, 30, 2015), 2014.
- [10] Stevenson, N., Taylor, M., Lyon, F., & Rigby, M. (2010). Social Impact Measurement (SIM) experiencing and future Directions for the third sector organisations in the east of England. Working Paper. Social Enterprise East of England, Bradford, 2010 [cited 2016 Sep 25] Available from <http://eprints.mdx.ac.uk/id/eprint/7076>
- [11] Herrero Montagud, M. Las empresas sociales: un grupo en expansión en el ámbito de la Economía Social. Identificación y análisis de las características identitarias de la empresa social europea y su aplicación a la realidad de los Centros Especiales de Empleo de la economía española. Tesis Doctoral. Universidad de Valencia. 2015.
- [12] Hornsby, A. The Good Analyst: Impact Measurement and Analysis in the Social-Purpose Universe. Investing for Good. 2012.
- [13] Krlev, G., Münscher, R., & Mülbart, K. "Social Return on Investment (SROI): state-of-the-art and perspectives-a meta-analysis of practice in Social Return on Investment (SROI) studies published 2002-2012", Centre for Social Investment, Heidelberg University, 2013.Mmm
- [14] Maas, K., & Liket, K. Social impact measurement: Classification of methods. In Environmental Management Accounting and Supply Chain Management (pp. 171-202). Springer: Netherlands. 2011.
- [15] Cabedo, D., Fuertes, I, Maset-LLaudes, A. & Tirado, J.M. Identification and measurement of social impact in non-profit organizations. International Journal of Social Science & Human Behavior Study, 3 (1), pp. 43-46, 2016.
- [16] Arvidson, M., Lyon, F., Mckay, S. and Moro, D. The ambitions and challenges of SROI. Third Sector Research Centre Working Paper 40, University of Birmingham, 2010.
- [17] Zappalà, G., & Lyons, M. Recent approaches to measuring social impact in the Third sector: An overview. Sydney: Centre for Social Impact. 2009.
- [18] Ebrahim, A., & Rangan, V. K.. The limits of nonprofit impact: A Contingency Framework for a Measurement Social Performance, Working paper 10-53, Harvard Business Review Online, 2010. Available from <http://www.hbs.edu/faculty/Publication%20Files/10-099.pdf>.
- [19] Gibbon, J., & Dey, C. Developments in social impact measurement in the third sector: scaling up or dumbing down? Social and Environmental Accountability Journal, 31(1), pp. 63-72, 2011.
- [20] Nicholls, A.. We do good things, don't we?': 'Blended Value Accounting' in social entrepreneurship. Accounting, organizations and society, 34(6), pp. 755-769, 2009.
- [21] Piñeiro, G. D., Carreira, M. D. C. S., Gil, C. P., Galán, E. P., Ruíz, R. G., Sestayo, R. L., ... & Díaz, M. J. L.. El retorno económico y social de la e-interconsulta de cardiología en el área de Vigo. ICEDE Working Paper Series. 2015.
- [22] Flockhart, A.. Raising the profile of social enterprises: the use of social return on investment (SROI) and investment ready tools (IRT) to bridge the financial credibility gap. Social Enterprise Journal, 1(1), pp. 29-42, 2005.
- [23] Millar, R., & Hall, K. Social return on investment (SROI) and performance measurement: The opportunities and barriers for social enterprises in health and social care. Public Management Review, 15(6), pp. 923-941. 2013.
- [24] Huete García, A., & Quezada García, M. Y.. Análisis de Retorno Social de la Inversión en dos sistemas de apoyo a personas con gran discapacidad: asistencia personal y servicio residencial. Un estudio de caso. Revista Española de Discapacidad, vol. 2 (1) pp. 51-69, 2014.
- [25] Gardner, C, Dermody, A. & Quigley, M. Impact measurement: An introductory guide for Irish social enterprises and charities on using LM, Theory of Change and Social Return on Investment to Measure Impact. Quality Matters. Ireland. 2013.

