

Social Impact Assessment

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Agenda

- Economic, social and socio-economic value
- SROI analysis
- Things that are tough to quantify
- Relevant evaluation criteria
- Telenua case

Economic Value

“Economic value is created by

- taking a resource or set of inputs,
- providing additional inputs or processes that increase the value of those inputs, and
- thereby generate [sic] a product or service that has greater market value at the next level of the value chain.” (Emerson, Wachowicz and Chun)

Social Value

“Social Value is created when resources, inputs, processes or policies are combined to generate improvements in the lives of individuals or society as a whole.” (Emerson, Wachowicz and Chun)

- Examples
 - cultural arts performances
 - the pleasure of enjoying a hike in the woods
 - the benefit of living in a more just society

Social Value

- Social Value is "about inclusion and access. It is about respect and the openness of institutions. It is about history, knowledge, a sense of heritage and cultural identity. Its value is not reducible to economic or socio-economic terms". (J. Gregory Dees)
- Social Value "has intrinsic value, but can be difficult to agree upon or quantify." (Emerson, Wachowicz and Chun)

Socio-Economic Value

- "Socio-Economic Value builds on the foundation of Economic Value creation by attempting to quantify and incorporate certain elements of social value."
- "An entity creates Socio-Economic Value by
 - making use of resources, inputs, or processes;
 - increasing the value of these inputs, and by then
 - generating cost savings for the public system or environment of which the entity is a part."

Social Return on Investment (SROI)

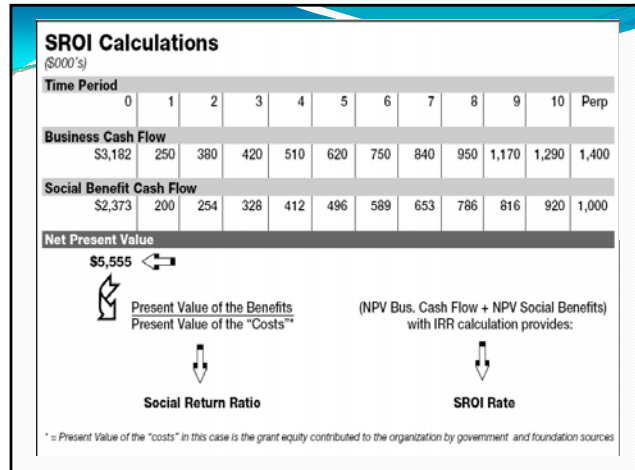
- The core SROI analysis does not attempt to definitively quantify and capture all aspects of the benefits and value that accrue as a result of a successful program, but rather to identify **direct, demonstrable cost savings or revenue contributions** that result from that intervention.

What is an SROI analysis?

- Examines a social service activity over a given time frame (usually five to 10 years);
- Calculates the amount of "investment" required to support that activity and analyzes the capital structure of the non-profit that is in place to support that activity;
- Identifies the various cost savings, reductions in spending and related benefits that accrue as a result of that social service activity;

SROI analysis (cont'd)

- Monetizes those cost savings and related benefits (that is to say, calculates the economic value of those costs in real dollar terms);
- Discounts those savings back to the beginning of the investment timeframe using a net present value and/or discounted cash flow analysis; and then
- Presents the Socio-Economic Value created during the investment time frame, expressing that value in terms of net present value and Social Return on Investment rates and ratios.



Useful resources on SROI

- HBS, Social return on investment: Exploring aspects of value creation
 - <http://hbswk.hbs.edu/archive/1957.html>

Example: Valid Express, Amsterdam

- Valid Express:
 - Courier service started in 1999
 - Now serves over 400 clients in greater Amsterdam
 - New office in The Hague
- 73% of the employees (22) have a physical handicap, and formerly were living on government assistance

Valid Express goals

- To be a commercial courier service with a high service level;
- To employ people with a physical handicap on a regular basis at regular wages; enabling these people to be independent from subsidies or charity; and
- To donate 45 cents per delivery to a medical institute for handicapped people.

SROI analysis 1

- The initial investment in the company consisted of a mix of commercial loans with different interest rates and some grants.
- Time frame: 5-year projection of financial and social results
 - Both based on past growth rates and results
- Base case scenario: what Valid Express' stakeholders would likely have experienced if the company did not exist

SROI analysis 2

- Social costs include
 - adaptations to the cars in the fleet,
 - lower productivity as a result of employees' handicaps,
 - adaptations to the corporate building, and
 - extra personal support.
- Cost savings and revenues were mainly found in reductions in governmental expenditures on welfare allowances and increased tax income.

SROI analysis 3

- Discount rate of 6.92% (WACC) was used to discount both future social and financial values.
- Estimated financial ROI of almost 2%
- Estimated social ROI more than 13%
- Blended value rate was calculated as 6.69%

SROI analysis 4

- Points “open for discussion”
 - The cost of displacement since jobs created for the target group probably displaced regular jobs at other businesses.
 - The appropriate time horizon over which to consider. (e.g., how long are handicapped individuals typically unemployed?)
 - The value of free publicity Valid Express received because of its social mission

What about the non-quantifiable impacts?

- Be sure to align your impact assessment methods and metrics with your goals
- Include the cost of evaluation expenses as part of the cost of doing business, invest in measurement systems and tools, and develop examples of impacts
- A commitment to outcomes assessment should be a fundamental part of the management structure and organizational culture
 - *“It’s hard to learn what works if you can’t read data, see consistent trends, or learn lessons within one project or across different grantees/investees.”*

SIA criteria from Global Social Venture Competition

- Theory of change
 - How compelling is the theory of change?
 - How integrated is the theory of change with the purpose of the business?
 - How well is the social mission embedded in the business?
- Social indicators
 - How measurable are the social indicators?

Criteria (cont’d)

- Quantification/Monetization of Social Value (SROI or comparable method)
 - How credible are the assumptions and the projections? Are they supported with actual data and/or outside sources? How credible is proxy data?
 - Does the plan describe a process for monitoring SIA over time?
 - If applicable, has the analysis accounted for both the positive and the potential negative outcomes generated by business activities?
 - If applicable, does the plan identify potential conflicts or paradoxes between managing for financial and social results?



So how well did Telenua do?