

Social Return on Investment – does the Tool Work in Practice?

Jakub Głowacki

Abstract: **Background:** This text was created as a consequence of reading the article entitled “Using the social return on investment as a measure of the effectiveness of social innovation projects implemented under public policies” published in the Social Enterprise Journal.

Research objectives: This article aims to contribute to the ongoing debate about the best way to measure the economic effectiveness of public policies, as well to explore the possibility of using the SROI method as one of the indicators.

Research design and methods: The paper is based on Google Trends analysis and previous project’s results.

Method: Social return on investment (SROI).

Results: Despite many years of existence and quite high popularity, there are very few examples of the regular use of such tools as SROI.

Conclusions: In order for the tool to function in practice, certain forms of support are needed: (1) organizational and substantive support for small entities in the use of the tool, (2) standardization of measurement steps that are most sensitive to the human factor, i.e. monetization of social effects and (3) making such a tool used in one of the evaluation stages during application for public funds.

Keywords: Social return on investment, SROI, cost-benefit analysis, measurement

JEL Codes: D63, L31

Suggested citation:

Głowacki, J. (2021). Social return on investment – does the tool work in practice?. *Social Entrepreneurship Review*, 2, 34–40, <https://doi.org/10.15678/SER.2021.2.03>

1. Introduction

This text was created as a consequence of reading the article entitled “Using the social return on investment (SROI) as a measure of the effectiveness of social innovation projects implemented under public policies” published in the Social Enterprise Journal (Moroń & Klimowicz, 2021). This article aims to contribute to the ongoing debate about the best way to measure the economic effectiveness of public policies, as well to explore the possibility of using the SROI method as one of the indicators. Based on my experiences related to the research and implementation of SROI, I would like to slightly complete the considerations contained in the quoted article.

2. SROI

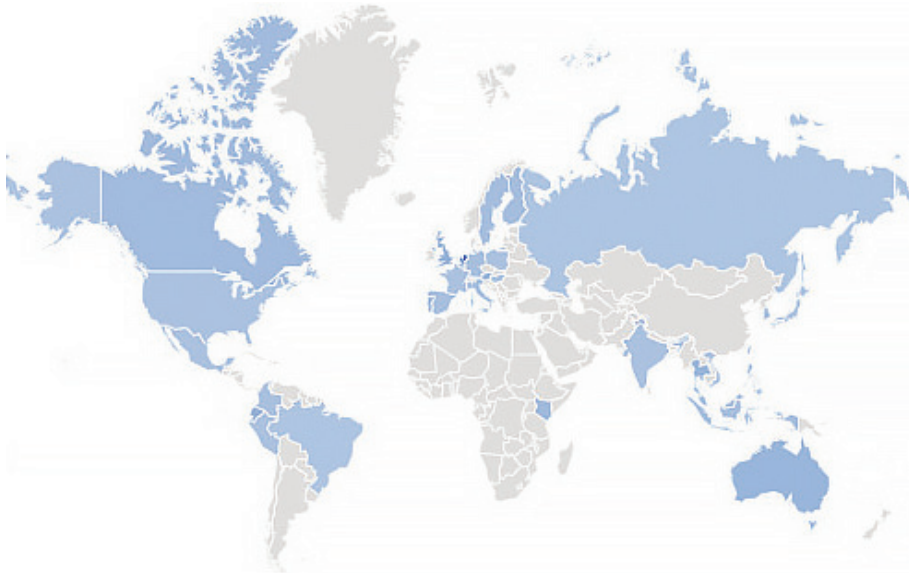
In the face of many crises in recent years, social economy entities are under constant pressure to document the efficient use of resources and report their impact on society. One of the answers to these needs is the SROI methodology, which creates a framework for monetizing the social impact created by social organizations. Increasing interest in the subject of measuring social added value took place at the turn of the 20th and 21st centuries. The research conducted by the American organisation Roberts Enterprise Development Fund (REDF) was the impetus. REDF was the first to propose a tool for expressing the social effects of entities' activities in monetary units (Emerson & Cabaj, 2000). SROI is a tool that enables an organisation to express in financial terms its social, ecological and economic value in the face of the investment expenditure that has been incurred. It is based on standard accounting principles and investment appraisal techniques and is an extensive version of cost-benefit analysis (CBA) (Edwards & Lawrence, 2021). The key difference is the part of the methodology in which benefits are viewed from a broader perspective and also include social profit, which is not included in traditional accounting. As a result, the profitability threshold for projects is raised, which, taking into account additional categories of benefits, become profitable and there is a basis for their launch.

Moroń & Klimowicz (2021) discovered following advantages of using the SROI method:

- It focusses on the long-term impact of the social project and allows for analysing its impact in the adopted time perspective, taking into account the reduction/increase of results over time.
- It takes into account purely financial costs and profits of the analysed project and also includes monetisation of social effects, which allows a fuller analysis of both expenditures as well as the results.
- It takes into account the possibility of monetisation the unintended, as well as the negative effects of social projects.
- It allows for presenting the financial results from the perspective of final beneficiaries, as well as the main stakeholders of social projects.
- It is a good tool for planning and evaluating public-private partnerships and other forms of cross-sectoral cooperation, as it takes into account the viewpoints, inputs and profits of all possible stakeholders.
- It enables the evaluation of already implemented projects, as well as forecasting the social return from the prepared social innovation projects.

Nielsen et al. (2021) systematised all the barriers resulting from the use of SROI. They are mainly: lack of data, a time and resource consuming process of calculating SROI, difficulties in capturing social value in a single number, challenges of choosing proxies, a limited time horizon for including future value generation, difficulties of identifying the chain of causation, an extensive uncertainty of the accuracy of the final ratio, and challenges of calculating deadweight¹.

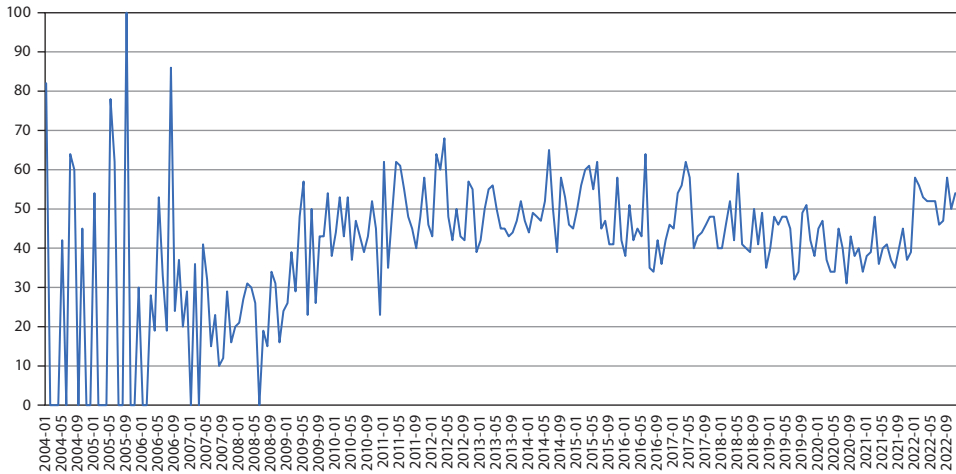
¹ Any changes or results that would have occurred anyhow, regardless of the organization's efforts and activities.



Values are presented on a scale from 0 to 100, where 100 is the location where the term was most searched for in that location, and 50 is the location that was twice as less popular. 0 refers to a location where there is not enough data for this password.

Figure 1. Popularity of the SROI slogan by regions of the world

Source: own study based on Google Trends.



The numbers represent individual search interests relative to the highest point on the graph. A value of 100 indicates the highest popularity of the keyword. A value of 50 indicates that the popularity of the keyword was twice as low. A value of 0 indicates that there is insufficient data for the keyword.

Figure 2. The worldwide popularity of SROI in the google search engine in 2004–2022

Source: own study based on Google Trends.

3. Popularity of SROI

When analysing the recent literature, we observe the use of SROI in areas such as health care (Banke-Thomas et al., 2015; Merino et al., 2020; Moral Torres et al., 2020), sport (Davies et al., 2019) or the evaluation of the functioning of public institutions (Purwohedi & Gurd, 2019; Vluggen et al., 2020). However, looking at the practical dimension of SROI, the implementation potential of this tool may reflect the popularity of “social return on investment” on Google. As can be seen in Figure 1, SROI was popular practically all over the world in the years 2004–2022. They were most often entered into the search engine in countries such as the Netherlands, Taiwan, Hong Kong, Ecuador and the United Kingdom.

World data show that the peak of popularity of this slogan took place in 2005, and the period 2004–2007 was characterized by a very high volatility of the indicator. It was only since 2009 that the slogan “social return on investment” began to be typed quite regularly into the browser, although it never gained the popularity it had in 2005.

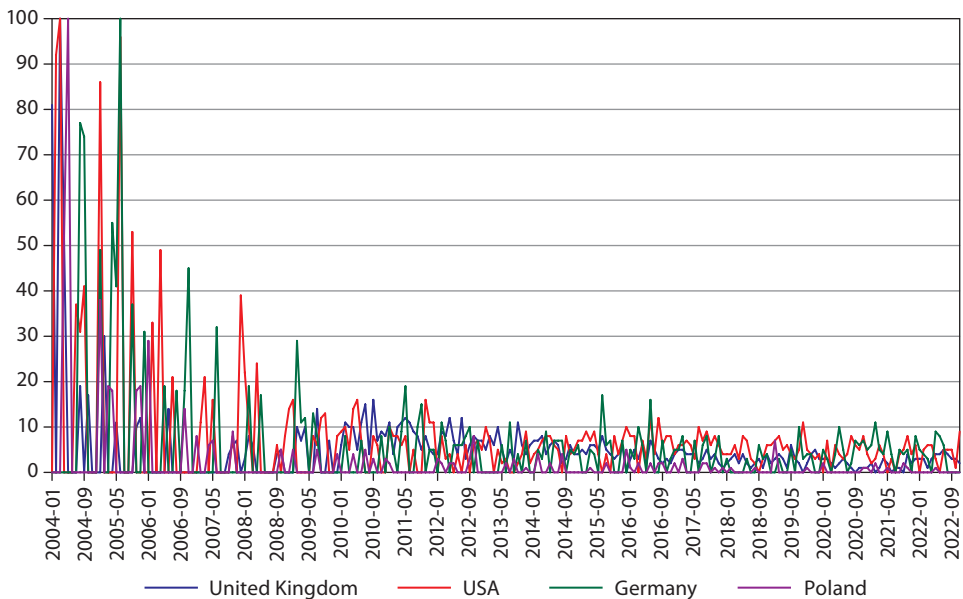


Figure 3. The popularity of SROI in the google search engine in different countries in 2004–2022

Source: own study based on Google Trends.

Data on the popularity of the SROI password for selected countries are slightly different. The time of greatest popularity of SROI was in the years 2004–2006. In the following years, the interest in this tool decreased systematically and this trend was quite similar in all the countries included. This may prove that the topic of measuring social impact by means of the SROI is somewhat exhausted.

4. ESometer – alternative approach to SROI

However, when looking at the wider issue of measuring social value, attention should be paid to many other tools that have been developed over the last dozen or so years (Clifford et al., 2013; Mulgan, 2010). One of the few Polish approaches is ESometr (Głowacki & Jelonek, 2013). The concept of this tool is based on an internet platform that allows you to independently assess the social added value created by social entities (SE) and at the same time creates a benchmarking base that can be used to make strategic decisions shaping the development of the social economy sector, both at the regional and national level. By definition, it is a tool open to methodology improvement, in which it is possible to add additional components (e.g. in a situation where there is a need to focus the activities of social economy entities on activities previously considered less important). The ESometer can also be useful for SEs in the process of building its credibility among stakeholders and donors and in self-evaluation of its own activities.

From the conceptual point of view, the ESometer tool consists of an extensive survey that collects information from the surveyed entity in 4 areas (professional and social integration, growth of social capital, strengthening local communities and the current financial condition), and then compares the achieved results with other entities. These comparisons can be made in various systems, e.g. in a group of entities with a specific legal form, size, business profile, etc.

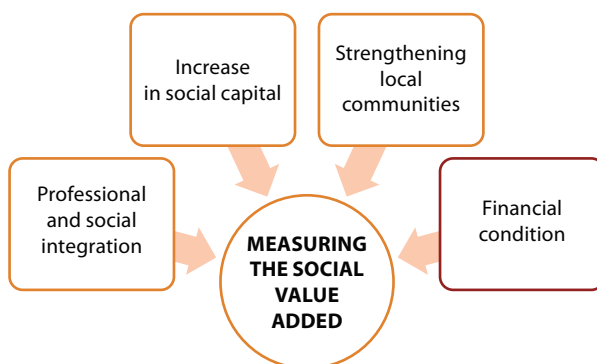


Figure 4. Measuring areas of social economy entities in ESometer

Source: own study.

The key factor determining the effectiveness and reliability of measurement with the ESometer is a sufficiently large number of different entities gathered in the database, which is a reference point for calculating the results of the surveyed organisation.

5. Conclusions

In summary, various schemes and tools for quantifying social effects are very necessary to create arguments for the functioning of entities with a social mission. Some of these tools are heavily operationalised (such as SROI), which, on the one hand, facilitates their implementation and should make it possible to compare the results between different organizations. The problem, however, in all these types of tools is that they are mainly used by large entities that have

sufficient resources to implement such solutions. Considering that social entities are relatively few organisations (compared to, for example, traditional enterprises), there are very few examples of the regular use of such tools as SROI. One solution would be support from public institutions aimed at implementing solutions of this type in smaller organisations. For this, it would be necessary to standardise the measurement steps that are most sensitive to the human factor, i.e. the monetisation of social effects. Perhaps it would be worth making such a tool used in one of the evaluation stages during application for public funds. Without such activities, the methods of measuring social value do not have a great chance of being put into practice.

References

- Banke-Thomas, A. O., Madaj, B., Charles, A., & van den Broek, N. (2015). Social Return on Investment (SROI) methodology to account for value for money of public health interventions: a systematic review. *BMC Public Health*, 15(1), 1–14.
- Clifford, J., Markey, K., & Malpani, N. (2013). *Measuring social impact in social enterprise: The state of thought and practice in the UK*. London: E3M, 1–10.
- Davies, L. E., Taylor, P., Ramchandani, G., & Christy, E. (2019). Social return on investment (SROI) in sport: a model for measuring the value of participation in England. *International Journal of Sport Policy and Politics*, 11(4), 585–605.
- Edwards, R. T., & Lawrence, C. L. (2021). 'What You See is All There is': the importance of heuristics in cost-benefit analysis (CBA) and social return on investment (SROI) in the evaluation of public health interventions. *Applied Health Economics and Health Policy*, 19(5), 653–664.
- Emerson, J., & Cabaj, M. (2000). Social return on investment. *Making Waves*, 11(2).
- Głowacki, J., & Jelonek, M. (2013). *Badanie społecznej wartości dodanej podmiotów ekonomii społecznej w Polsce za pomocą narzędzia ESometr*. Kraków: Małopolska Szkoła Administracji Publicznej Akademii Ekonomicznej.
- Merino, M., Jiménez, M., Manito, N., Casariego, E., Ivanova, Y., González-Domínguez, A., San Saturnino, M., Hidalgo-Vega, Á., & Blanch, C. (2020). The social return on investment of a new approach to heart failure in the Spanish National Health System. *ESC Heart Failure*, 7(1), 131–138.
- Moral Torres, E., Fernández Fernández, Ó., Carrascal Rueda, P., Ruiz-Beato, E., Estella Pérez, E., Manzanares Estrada, R., Gómez-García, T., Jiménez, M., Hidalgo-Vega, Á., & Merino, M. (2020). Social value of a set of proposals for the ideal approach of multiple sclerosis within the Spanish National Health System: a social return on investment study. *BMC Health Services Research*, 20(1), 1–16.
- Moroń, D., & Klimowicz, M. (2021). Using the social return on investment (SROI) as a measure of the effectiveness of social innovation projects implemented under public policies. *Social Enterprise Journal*, 17(2), 302–327.
- Mulgan, G. (2010). Measuring social value. *Stanford Social Innovation Review*, 8(3), 38–43.
- Nielsen, J. G., Lueg, R., & van Liempd, D. (2021). Challenges and boundaries in implementing social return on investment: An inquiry into its situational appropriateness. *Nonprofit Management and Leadership*, 31(3), 413–435.
- Purwohedi, U., & Gurd, B. (2019). Using Social Return on Investment (SROI) to measure project impact in local government. *Public Money & Management*, 39(1), 56–63. <https://doi.org/10.1080/09540962.2019.1537706>
- Vluggen, R., Kuijpers, R., Semeijn, J., & Gelderman, C. J. (2020). Social return on investment in the public sector. *Journal of Public Procurement*, 20(3), 235–264.

About Author/s

Jakub Głowacki*, Ph.D.

Cracow University of Economics
ul. Rakowicka 27, 31-510 Kraków, Poland
email: glowackj@uek.krakow.pl
ORCID: 0000-0003-4601-2042

* Corresponding author.

Acknowledgements and Financial Disclosure

None reported.

Conflict of Interest

I declare that the research was conducted without any commercial or financial relationships that could be construed as a potential conflict of interest.

Copyright and License



This article is published under the terms of the Creative Commons Attribution – NoDerivatives (CC BY-ND 4.0) License
<http://creativecommons.org/licenses/by-nd/4.0>

Published by Cracow University of Economics – Krakow, Poland