

Understanding SROI

The following is a brief overview of SROI analysis as one tool among many that assist with understanding the impact of our efforts.

Calculating SROI

The purpose of an investment is to generate a return. In business, we often think of an ROI strictly in financial terms: a hard cost measured in dollars and cents. But how do we measure the value of an investment in society, where the impacts are not only financial, but may also include a better quality of life, or improved self-confidence?

Social Return on Investment (SROI) is an innovative, principles-based methodology and increasingly sought-out approach that assigns a financial value to a social impact that would otherwise be overlooked or misunderstood. Through the methodology and use of financial proxies, an SROI offers a common language between those who are familiar with the value of projects, like an organization or policy, to investors with less information or understanding.

SROI illustrates the value of change to individuals, families and community circumstances by expressing the value of that change in a dollar value wherever possible. It is designed to ensure perspectives of all stakeholders are taken into account. Examples of social value include:

- Improved education levels
- Improved quality of life
- Increased self-confidence
- Environmental improvement
- Increased jobs prospects
- Expanded social networks
- Increased social inclusion
- Improved health

Giving a dollar value to a portion of social value created include, but are not limited to:

1. Cost reallocation by diverting need for public support or human services so another Calgarian can access that same support or service;
2. Increases in household income;
3. Increases in taxes paid to any level of government;
4. Cost savings resulting from reduced public support or service provision.

Financial proxies are estimates of financial value where it is not possible to know an exact value, such as with social returns and so are critical for accurately estimating Social Return on Investment. The cases developed by FCSS-funded agencies rely on the SROI Canada Proxy Database <http://www.sroi-canada.ca/about/index.html>.

The Louise Dean is an exceptionally robust case because it examined the SROI over a 7 year period. The case was developed with support from both **FCSS Calgary and Health Canada** as joint funders of the program. The following were the SROI Indicators included in the development of the case:

- Changes in personal/household income
- Subsidies received
- Health of Mother
- Health of Child
- Support services accessed
- Criminal activity

For more information on SROI, visit www.sroi-canada.ca.