



BRIEFING FOR MEMBERS

MEASURING SOCIAL VALUE

What do we mean by measuring social value?

Over the last twenty years there has been increasing importance attached to measuring the social value and social impact that various organisations create. The demand for measuring this value comes from all sides: funders who want to direct their money to the most effective projects, policy makers and government officials have to account for their spending decisions, and social organisations need to demonstrate their impact to funders, partners and beneficiaries¹. This has led to a growing interest in terms such as 'value for money', 'value added' and 'outcomes' as ways to measure a organisation's performance. In many ways the distinction between 'output' and 'outcomes' encapsulates what is meant by measuring social value.

- **Outputs:** These are the activities done by an organisation, usually listed in an action plan or set of objectives. For example providing homeless people with food and shelter or organising a conference to discuss long term care services for the elderly.
- **Outcomes:** These are the long term observed effects of the outputs and are often the 'real' changes that organisations are trying to make. For example homeless people no longer living on the street and now in employment is an outcome. Likewise a new policy implemented by a government or a new project that improves the quality of long term care for elderly people is an outcome.

Unfortunately there is no single authoritative definition of 'social value' but we can say that it refers to wider non-financial impacts of programmes, organisations and interventions, including the wellbeing of individuals and communities, social capital and the environment. These are typically described as 'soft' outcomes, mainly because they are difficult to quantify and measure². Social value assessment is therefore concerned with measuring these wider outcomes that can be directly attributed to the actions of an organisation after taking into account what would have happened anyway and the contribution of others³. Being able to demonstrate social value can be hugely beneficial especially during current times of spending cuts and increased competition over scarce financial resources. Furthermore in the non-profit sector good managers are very precise about tracking costs and incomes but few use sophisticated impact assessment approaches to help allocate resources. It should be noted that while measuring social value is a worthwhile and valuable objective, it can also be a very difficult and complex process with a number of challenges. It is therefore important for organisations to be fully aware of all the costs (time and resources) involved before deciding how to undertake social value assessment. This briefing paper will explore the following questions:

- Why is measuring social impact relevant for diaconal organisations?
- What are the different approaches to measuring social value?
- What are the challenges and drawbacks to measuring social value?
- How to decide which approach might best for an organisation to take?
- What's next?

¹ Mulgan, Geoff: Measuring Social Value (2010)

² Wood, Claudia & Leighton, Daniel: Measuring Social Value; gap between policy and practice (2010)

³ Mulgan, Geoff: Measuring Social Value (2010)



Why is measuring social value relevant for diaconal organisations?

Organisations who have engaged in the process of measuring social value report the following benefits⁴:

- Better placed to justify the impact of any external funding received and defend their role in providing services more effectively.
- Able to make a stronger case for additional funding and further investment in advance.
- Focus efforts on what really makes a difference. This helps an organisation to plan more strategically and allocate resources more effectively.
- Continuous improvement by regularly going through the process of social value assessment.
- Develop stronger communication of the value of their work to the people that really matter.
- Helps to ask, and find answers to, the right questions.

“We change people’s lives for the better. How do I measure that?”

“There are many different groups of people involved in or interested in my organisation. All these stakeholders seem to want different things. How do I prioritise them?”

“I want to bid for work on a new social project. They’ve asked about social benefits that are part of working with my organisation. What’s the right answer?”

“They say that what gets measured gets valued, but how do I measure a new skill, access to employment or changing attitudes to elderly people?”

Measuring and demonstrating the value of improved well-being for elderly people in long term care rather than focusing on the unit cost of delivering this care should help policy makers reach appropriate decisions.

Highlighting and valuing what are often hidden wider benefits has another major advantage – supporting advocacy. In the context of austerity measures and cuts to social services Eurodiaconia has been examining ways to protect or promote investment in the social sector. Demonstrating the added value and wider social impact of existing social services expenditure can significantly contribute to more informed policy-making in the future and also help make the case for general investment in social services. Information gathered from such assessments can serve as examples to strengthen such advocacy work at EU level and be used by members in their advocacy work.

What are the current approaches to measuring social value?

Although funders, social organisations and policymakers are very enthusiastic about measuring social value, unfortunately they cannot agree on what it is, let alone how to assess it! As mentioned social value is a subjective term and will mean different things to different people. This had led to a wide range of approaches being developed and much choice for organisations who are interested in implementing the principles of social value assessment. This paper will focus on four methods and does recognise that the approaches discussed may vary from country to country.

⁴ Wood, Claudia & Leighton, Daniel: Measuring Social Value; gap between policy and practice (2010)



1. Cost Benefit Analysis (CBA)

Cost Benefit Analysis is a relatively simple and widely used technique for deciding whether to make a change and involves factoring in wider social value. CBA has two main purposes (1) to determine if a project is a sound decision and a justifiable investment of resources and (2) to provide a basis for comparing projects⁵. CBA aims to put a monetary value on the benefits expected from the project and compare these to the costs which are expected to be incurred. If the benefit exceeds the cost, there is economic justification for the project to go ahead. Often an appraisal of 'doing nothing' is also performed – estimation of the costs and benefits that will continue to arise even if the project or intervention is not carried out.

The two main types of CBA are 'ex ante' and 'ex post'. Ex ante refers to the more common use of the term CBA, to describe a project that is currently under consideration, but has not begun. Ex ante is used to assist the decision making and appraise the costs and benefits of a project. Ex post refers to a CBA carried out after a project has been completed. At this stage all of the costs are 'sunk', that is they have already been invested in the project. This type of CBA is therefore used mainly to assess the project contributing to 'learning', so that the information gathered can be used to justify funding and in assessing future projects.⁶

When conducting a CBA the most important element is collecting data on the costs and benefits associated with a project or a set of project alternatives. Typical costs may include staff wages, training, rent, purchase of equipment, publicity and promotion, etc. Examples of benefits include job creation, positive effect on local economy, indirect savings, increase in people's health or quality of life, revenues, etc. In reality it is difficult to place a monetary value on all these costs and benefits, for example how many Euros would be attributed to future increase in people's quality of life? It is often the case that some of the outcomes of a project occur over a long period of time which gives rise to another difficulty in applying a monetary value to future outcomes as the value of money changes over time. However there are complex tools within CBA to overcome these problems of 'quantification' and 'future discounting'. The results from a thorough CBA analysis will enable organisations to show in economic terms the benefits, including the wider social value, which your projects can produce. It can also be used to determine which project, out of a number of projects, will provide the greatest social value.

2. Social Accounting

Social accounting is commonly used in the context of business, or corporate social responsibility (CSR), although it is increasingly being used by NGOs, charities, and government agencies who are interested in quantifying social value. The main difference from CBA is that social accounting applies to the organisation as a whole rather than a specific project. Social accounting allows your organisation to build on its existing monitoring and reporting systems to develop a process whereby it can account fully for its social impacts, report on its social performance and draw up an action plan to improve on that performance⁷. Through the social accounting and audit process an organisation can understand its impact on the surrounding community and on its beneficiaries and build accountability by engaging with its key stakeholders. In this way an organisation can prove its value and improve its performance.

Essentially social accounting involves clarifying what your organisation does, what it is trying to achieve and who it is working with. Then, on the basis of this, it collects quantitative and qualitative information and data which relates to its overall objectives and underlying values. This usually lasts one year and runs concurrent with the financial year. At the end of the social accounting year the organisation brings all the information together in the form of social accounts that are independently audited and after revisions the social accounts form a Social Report. Social accounting therefore seeks to broaden the scope of traditional accounting in the sense that an organisation should be assessed by more than just finances.

⁵ Bill and Melinda Gates Foundation: Measuring and/or estimating social value creation (2008)

⁶ CAB Builder – CAB explained www.cabuilder.co.uk

⁷ Gray, Rob: Thirty Years of Social Accounting, Reporting and Auditing – what (if anything) have we learned (2001)



There are four main steps involved in CBA⁸.

- **Step One** – What difference do we want to make? Ensuring that the vision, mission and values are clear. Ensuring internal objectives are being met. Clarifying the objectives. Identifying stakeholders and key stakeholders.
- **Step Two** – How do we know we are making a difference? Understanding and identifying indicators and outcomes. Confirming the scope and planning the social accounts. Putting the plan into action and obtaining data and the results from consultation with stakeholders.
- **Step Three** – What is the difference we are making? This involves drafting the social accounts – either in basic or advanced format. The data gathered in step two are used to report on performance, impact and key outcomes, comparing them to targets and benchmarks where appropriate.
- **Step Four** – Can we prove we made a difference? This is the audit stage where the draft accounts are tested by a Social Auditor. A Social Audit statement is then completed and signed off, the Social Report finalised and a summary produced.

3. Social Return of Investment (SROI)

SROI was developed from both social accounting and CBA and is therefore a more sophisticated approach, but also more complex. Currently there is much interest in the SROI approach from funders and from the public and private sectors. In some European countries it is being promoted by governments in order to become the industry 'norm' for measuring social value in the third sector. SROI is similar to social accounting in that it is also a way to measure the wider value you create with your work but it differs from social accounting in that it places a financial value on an organisation's wider impact. For example in the UK a project using SROI calculated that £1 invested in high-quality residential care for children generates a social return of between £4 and £6.10. Due to its monetary focus SROI can therefore be especially useful if the funders of an organisation require 'outcomes' information in financial terms. However SROI is also about value, rather than just money. In the same way that a business plan contains much more information than the financial projections, SROI is much more than just a number. It is a story about change, on which to base decisions, that includes case studies, qualitative and quantitative data as well as financial information⁹.

SROI can take many forms, it can encompass the whole organisation or it can just focus on one project or one aspect of an organisation's work. The process can be carried out internally or can be led by an external researcher. There are two types of SROI: (1) **Evaluative**; which is conducted retrospectively and based on actual outcomes that have taken place. (2) **Forecast**; which predicts how much social value will be created if the activities meet their intended outcomes.

Importantly SROI is also said to improve your relationships with stakeholders, in fact stakeholder engagement is an integral part of the process and is arguably one of its real strengths. The initial stages are similar to social accounting and are about identifying outcomes and indicators then collecting data on these. SROI then adds up the outcome data and compares this to the investment made. This results in a ratio of total benefits (a sum of all the outcomes) to total investments. For example, an organisation might have a ratio of 4 Euros of social value created for every 1 Euro spent on its activities. While the ratio is important, SROI is about much more than this. It is concerned with continuously improving your organisation and becoming more sustainable. There is understandable concern that funders may use the ratio – and this only – to guide funding decisions. While there is some danger of this, it would be a very unwise funder who made decisions simply on the basis of one number. It is also not recommended for your organisation to compare your SROI ratio with other organisations as they will be working with different stakeholders with different needs, and will have made different judgments in calculating their ratio.

⁸ SAN – the Social Audit Network

⁹ UK Cabinet Office: A Guide to social return on investment



The [European SROI Network](#) (ESROIN) is an informal group of people developing the use of social return on investment across Europe. There are currently representatives from Holland, Belgium, Germany, Scotland, England and Hungary. The group provides information on SROI use across Europe and on resources to help organisations who are interested in using this approach. ESROIN also acts as a forum to develop consistency in how SROI is used and to ensure that the principles are maintained.

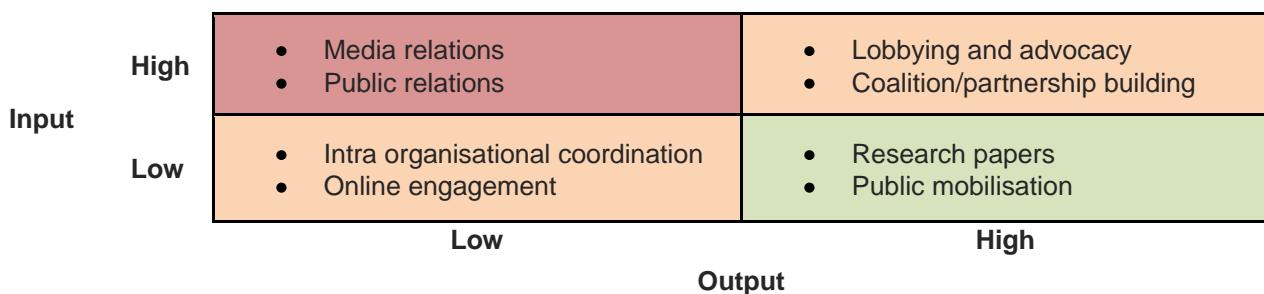
4. Basic Efficiency Resource (BER) Analysis

The BER analysis is a recent cost-effective approach currently being piloted by Oxfam GB. This approach seeks to (1) provide a simple framework for evaluating complex programmes, campaigns, or activities; (2) build on the basic concepts of SROI to evaluate a particular unit's impact compared to its resources; and (3) offer a relative perspective on performance where the units analysed are judged in comparison to other peer units¹⁰. For the BER approach a 'unit' can refer to a specific component of a joint campaign with other organisations such as public mobilisation. At the level of an individual organisation a unit could be a specific team or work area. Examples of 'units' include media relations, advocacy, partnership building, online engagement or research. The main advantage of BER analysis is that each 'unit' can be separately analysed in a way that shows its contribution to the overall success of an organisation and its performance relative to other units.

Once a list of units to be analysed has been compiled, the next step is to decide what to measure. Measurements are made of 'inputs' and 'outputs' as shown in the table below. This data is collected through the use of interviews and surveys which involve staff members, partner organisations, stakeholders and beneficiaries. It is interesting to note that the BER examples of 'outputs' include wider aspects of social value, or in other words it measures both 'outputs' and 'outcomes'.

Input	Output
• Project budgets	• How often a lobbying keyword appeared in policy
• Number of staff	• Number of people engaged
• Staff level, experience, or skill	• Perceptions of impact
	• Measurable change in policy or legislation
	• Increase in national political will

The interviews and surveys ask questions such as "For Eurodiaconia, rate how much you believe they invested in....online engagement, partnership building, etc". Or "For Eurodiaconia rate how much the following activities influenced policies or legislation... policy papers, lobbying, etc". Information is then visualised in the form of graphs or charts like the example below showing whether 'impact' is high or low.



¹⁰ Cugelman, Brain & Otero, Eva" BER; a framework for measuring the relative performance of multi-unit programmes



This visual approach helps facilitate management insight and leads to better decision making within the organisation. The best use of BER is as a starting point for deeper discussions into the performance of units, their challenges, opportunities, and operating environment¹¹. In this regard, the main use of BER is to initiate discussion on numerous "why" questions. For example after looking at a BER chart an organisation may ask "why would stakeholders perceive online engagement to be low impact, when we believe it is performing in the opposite way?" The BER model goes beyond just measuring impact or value and is ultimately about increasing efficiency. In this regard it has similarities with SROI is that the focus is on continually assessing and improving a organisations performance. However the main advantage of the BER approach is the analysis of each separate unit's contribution to over social value. BER is therefore more appropriate for larger organisations with distinct and separate work areas or for assessing 'units' of partnership working.

What are the challenges and drawbacks involved?

While there are clear benefits to measuring social value there are also some challenges. All four approaches can be time consuming and some, particularly SROI, require considerable staff training and are relatively complex. Organisations with skills and a history in quality evaluation, outcomes and accountancy will find it much easier to start the process of measuring social value. Likewise organisations who have already done some work on identifying and measuring their outcomes will find the approaches discussed in this briefing more straightforward to implement.

It is important to recognise that excessive focus on social impact evaluation can have some drawbacks. Some argue that real-world problems are not easily described with the kind of precision that social impact approaches insist upon. This is due to limitations of data, the costs of collecting and analysing the data, and the inherent difficulties of giving mathematical expression to the complexity of human behavior.¹² This means that sometimes organisations expect too much from the process. Another argument is that organisations may start to limit projects and activities to just those that have easy metrics for success. This can stifle innovation as often the best organisations are the ones that are prepared to try new ideas and learn from failure. Finally some argue that there is little difference between three weeks of detailed impact analysis and one that is based on the instincts of a good manager¹³. Despite these points of view there is overwhelming evidence that impact assessment is a valuable tool for identifying worthwhile projects, for justifying and securing funding and for communicating the value of what you are doing in new ways. Impact assessment is certainly not unimportant despite its challenges and potential drawbacks.

Which approach to use?

At this point in time, no single approach has been widely adopted throughout the sector as the standard for measuring social value. Recognising there are no "one size fits all" solutions, it is important for organisations to choose the approach that best suits their specific environment and requirements. This may involve selecting the most relevant or useful features from the approaches discussed here and putting together a framework specific to an organisation. Furthermore bearing in mind the challenges and potential drawbacks, an evaluation of time and resources to give to setting up a framework is necessary.

For organisations that are yet to consider measuring impact it can still be deemed useful to begin with a small but limited evaluation. Even a 'light' assessment is worthwhile, so long as it is not just a box-ticking exercise, but promotes a critical reflection on an organisation's objectives¹⁴. A first step would be to specify and measure desired outcomes, which deliver wider value to society, rather than just outputs. This alone will deliver considerable benefit. Over time and with more experience it would then be possible to carry out a more detailed approach such as SROI or social accounting.

¹¹ Cugelman, Brain & Otero, Eva" BER; a framework for measuring the relative performance of multi-unit programmes

¹² Lawry, Steve: Hauser Centre, 'Excessive focus on impact evaluation'

¹³ Shaikh, Alanna: Is Impact measurement Dead? (2011)

¹⁴ Wood, Claudia & Leighton, Daniel: Measuring Social Value; gap between policy and practice (2010)



What's next?

The European Commission released a communication called the Social Business Initiative (SBI) in 2011 which talks about the importance of measuring values other than purely economic value in the context of self-supporting social enterprises. However the communication does not propose any actions to be taken in this regard. Therefore Eurodiaconia has called on the Commission to begin research into better understanding the tools to measure social value. The European Economic and Social Committee has also echoed this call. This would give wider publicity to the available methods and promote the case for social investment. Eurodiaconia will also work with the European Parliament on this topic as they draft their response to the SBI.

Eurodiaconia would also like to hear from members who have experience of measuring social value either using one of the approaches described in this briefing or an alternative method. We would like to understand more about this topic and share good practice with members. As part of a conference on social services and the impact of the crisis in 2012 Eurodiaconia will present examples from members in the European Parliament that demonstrate their economic and social impact. This will feed into a document for use by Eurodiaconia members highlighting members 'real' experience, including frustrations as well as successes, of using tools to measure social value, and will assist in EU-wide and national advocacy work.

Further information and links

Benefit and Resource Analysis (BER)

http://www.alterspark.com/uploads/cugelman_oter0_ber-whitepaper_v22.pdf

Cost Benefit Analysis (CBA) Builder

<http://www.cbabuilder.co.uk/>

Demonstrating Value

<http://www.demonstratingvalue.org/>

European Social Return on Investment

<http://www.sroi-europe.org/>

Social Return on Investment (SROI)

<http://www.neweconomics.org/projects/social-return-investment>

Social Auditing and Accounting

<http://www.socialauditnetwork.org.uk/>