



# Dollars and sense **MEASURING SOCIAL IMPACT**



ALLEN + CLARKE

# Dollars and Sense - Measuring Social Impact

**Social Return on Investment (SROI)** and **Social Impact Measurement** are tools increasingly used to assess the effectiveness of social initiatives and justify the allocation of resources. By quantifying social, economic, and environmental outcomes, SROI enables organisations to demonstrate measurable social returns on investments. This framework is particularly valuable for governments, NGOs, and funders who aim to ensure that their resources are directed toward creating tangible, beneficial impacts. This guide explains the SROI process, covering each stage from developing a theory of change to implementing a robust monitoring and evaluation (M&E) framework.

## Understanding Social Impact and Investment

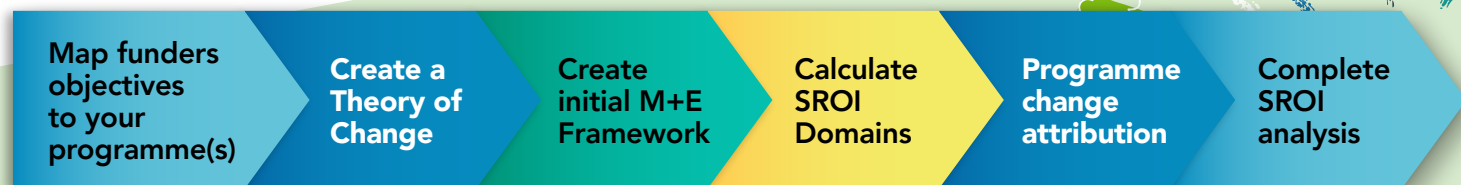
- Measuring social impact supports evidence-based decision-making, enabling stakeholders to invest in initiatives that drive meaningful change. As social issues grow more complex, a clear, structured approach to evaluating outcomes ensures that resources are allocated to initiatives that deliver genuine benefits.
- Social impact measurement provides more than just an outcome overview; it establishes a framework to identify what drives positive change and where efforts should be concentrated.

***“The social investment approach uses data and evidence to understand people's needs. That's how you go about getting better outcomes.”***

**Social Return on Investment (SROI)** offers a structured evaluation of both the economic and social value produced by an initiative.

- When compared to a traditional cost-benefit analyses, SROI increases the focus on the broader impacts, such as improvements in health, housing stability, and community wellbeing.
- It assigns monetary value to social outcomes, making it easier to communicate the programme's benefits to stakeholders and justify further investment in social services. For instance, retrofitting homes to meet healthy housing standards can yield reductions in respiratory-related healthcare costs, demonstrating the direct health benefits of improved housing.
- Effective social investment prioritises your desired outcomes, be they specific to your context or large and more complex such as environmental, culture or societal. Through data-driven insights into social challenges, organisations are better equipped to direct resources to initiatives that deliver substantial, lasting benefits.

*“Engaging stakeholders—including those with direct, lived experience of the issues addressed—is crucial to ensuring that the measurement accurately reflects real-world needs and impact.”*



## Building a Foundation

Developing a Theory of Change (ToC) - also known as an intervention logic, outcomes chain, outcomes map, is the foundational step in any social impact assessment. A well-defined ToC articulates what an initiative intends to achieve and outlines the necessary conditions for reaching its goals. It captures the assumptions behind a programme's design and clarifies how its activities contribute to short, medium, and long-term outcomes. This clarity is essential to unite all stakeholders around a common vision and to create a roadmap for measuring impact.

The ToC framework includes identifying critical inputs (such as funding and resources), outputs (tangible actions or services delivered), and outcomes (the effects or changes these actions produce).

Here is an example theory of change for a hypothetical NGO.

# THEORY OF CHANGE

INPUTS	OUTPUTS	SHORT-TERM OUTCOMES	MEDIUM-TERM OUTCOMES	LONG-TERM OUTCOMES
<ul style="list-style-type: none"> <li>• \$1.5 million from Better Future Housing Fund 2024</li> <li>• Partnerships with housing providers, contractors, service providers</li> <li>• Staff with expertise in housing modifications, retrofitting and tenancy management</li> <li>• Community outreach &amp; referral channels to engage target populations</li> </ul>	<ul style="list-style-type: none"> <li>• Homes have been obtained and retrofitted to meet Healthy Homes Standards</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in number of vulnerable families living in accessible, warm, dry, healthy living conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced health issues amongst residents, including hospitalisations, due to poor housing</li> </ul>	<ul style="list-style-type: none"> <li>• Better health outcomes for vulnerable families</li> </ul>
	<ul style="list-style-type: none"> <li>• Homes have been modified to meet accessibility needs of disabled residents</li> </ul>	<ul style="list-style-type: none"> <li>• Increased housing security and reduced transitions between temporary housing solutions for rehoused families</li> </ul>	<ul style="list-style-type: none"> <li>• Increased social inclusion for residents</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced homelessness and housing instability for vulnerable families, leading to improved quality of life</li> </ul>
	<ul style="list-style-type: none"> <li>• Families have been successfully transitioned from emergency housing to stable, long-term accommodation</li> </ul>		<ul style="list-style-type: none"> <li>• More residents in sustainable employment</li> </ul>	
	<ul style="list-style-type: none"> <li>• Tenancy arrangements have been overseen and managed</li> </ul>	<ul style="list-style-type: none"> <li>• More residents in employment or looking for work</li> </ul>	<ul style="list-style-type: none"> <li>• Improved academic achievement amongst residents' children</li> </ul>	
	<ul style="list-style-type: none"> <li>• Partnerships have been established with key organisations to provide housing and support services</li> </ul>	<ul style="list-style-type: none"> <li>• Improved school attendance rates among residents' children</li> </ul>		

## ASSUMPTIONS:

- Adequate level of funding is secured from Better Futures Housing Fund 2024
- Able to source \$ for \$ matched funding at an affordable borrowing rate

- Able to establish good working partnerships with housing providers, contractors, social service providers, iwi providers etc to provide supports that enable families to make the shift from being vulnerable to flourishing

- Homeless families and adults with disabilities are able and willing to engage with additional supports
- Homeless

## Tips for developing a theory of change

- Simplify the model: Focus on the most essential elements without over-complicating. Only the key factors that drive change need to be included. Don't overcomplicate things.
- Engage stakeholders: Involve those affected by the programme, so their insights can help refine the ToC and ensure it aligns with real needs.

- Measurable outputs: Make sure your outputs and outcomes are measurable, providing a clear basis for tracking progress over time.
- Challenging assumptions: Clearly document any assumptions behind the programme, such as "retrofitting homes will improve health outcomes," and examine them critically.

A concise, focused ToC helps build a shared understanding of what success looks like and serves as a benchmark for tracking progress in SROI.

## Things to consider when you're preparing an SROI

A Monitoring and Evaluation (M&E) Framework helps you set yourself up to track progress and inform future evaluations. Remember to include and consider:

### Define success for each outcome:

- Who is most in need and what works for them? Impact is the really long-term goal and what good looks like, including from the perspective of those people you are doing this for.
- Beware of the Matthew effect – where an initiative disproportionately benefits those who are already doing well.

***“To optimise social investment, we need to think about the role of whānau, family, community, the system more broadly, to ensure improved outcomes are sustainable over time.”***

### Identify data needs:

- Quantitative and qualitative. It's not just about the numbers. While quantitative data can provide information about outcomes and progress over time, the qualitative data provides a rich story and is often a check on whether what you're measuring makes sense for those you intend to help.

### Data collection and analysis:

- Choose the right metrics – if we focus too narrowly on certain indicators we might miss broader social impacts. There's always a risk of overlooking what's truly important.
- Data availability
  - How much data do you need and how much will it cost to collect and analyse?
  - Data might be incomplete, out of date or biased.
  - Some critical data points may not be available at all. Beware to avoid over-reliance on numerical data, excluding other forms of evidence.
- Avoid quantification bias
  - The tendency to prioritise what can be easily counted can lead to overemphasis on outputs rather than outcomes and simplify complex social issues.
  - The tendency for individualistic versus collective measures e.g. the impact on families or whānau.
- Data sovereignty
  - Consider the ethical implications. are we using this information in a way that genuinely benefits the people and communities we're trying to help? See links for more detail.
  - <https://www.temanararaunga.maori.nz/>
  - <https://data.govt.nz/toolkit/data-ethics/>
  - <https://neac.health.govt.nz/national-ethical-standards/part-two/12-health-data>

### Revisit your Theory of Change:

- Once your M+E framework is complete, revisit your ToC to confirm that it still works as intended, or whether you may need to adjust it in the context of your monitoring and evaluation approach

## Calculating the SROI takes the M&E framework forward.

We recommend watching this section of the Dollars and Sense – Measuring Social Impact video to see exactly how our team do this. You can also download the example sheet used in the video from the same location.

Watch the video + download the example calculations:

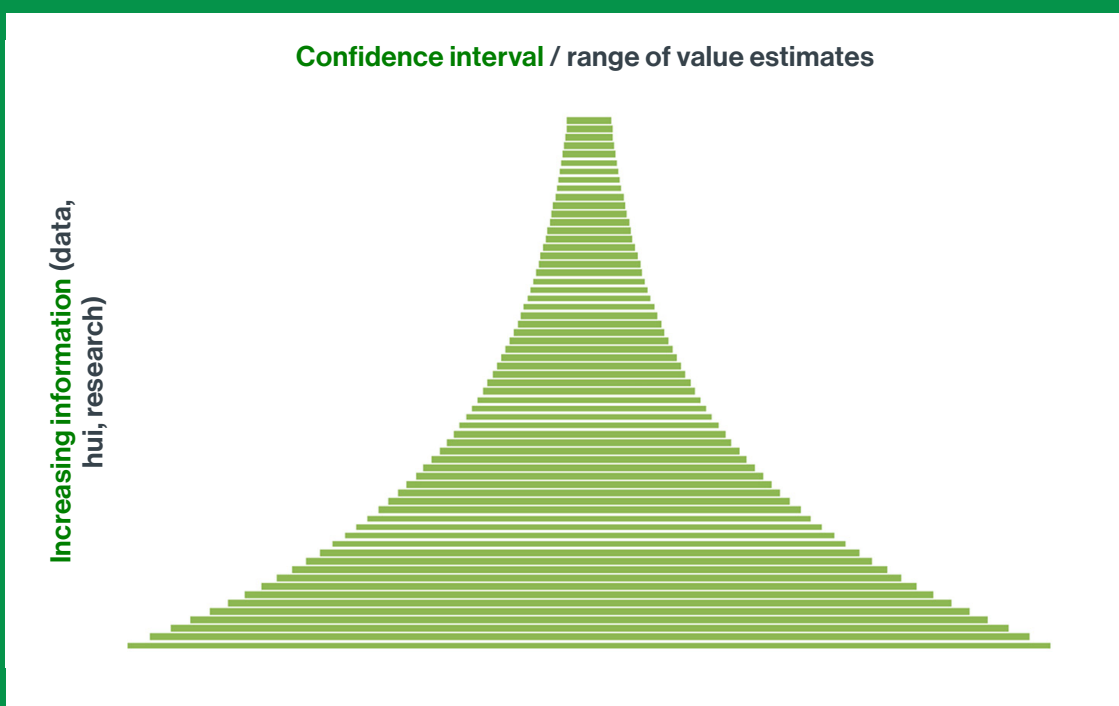


<https://www.allenandclarke.co.nz/webinar/dollars-sense-measuring-social-impact-social-return-on-investment/>

### Assign monetary value to social, economic, and health benefits:

- Live calculations that are updated as data changes.
- Monitor progress with real word data to help improve your estimates of value over time.
- Be aware of:
  - Attribution: Estimating how much change is due to the program versus external factors e.g. employment rates – be aware of over or under-attributing benefits
  - Counterfactuals: Estimating what would happen without the program to improve accuracy.
  - Double Counting: Avoid attributing multiple benefits to the same cause.
  - Balancing data saturation: As shown in the confidence interval chart, your return on investment from more information gathering decreases, but always improves your value estimations. You need to find the right balance for your situation.

## The return on investment from more information gathering decreases, but always improves your value estimates



## Handling Uncertainty

- Scenario analysis
  - Developing different scenarios based on different assumptions, like high or low estimates of key variables, which can give a range of possible outcomes
- Sensitivity analysis
  - Testing how small changes to input variables affect the outcomes, which allows the biggest levers that drive impact.
- Range estimates
  - Calculating upper, middle and lower bounds

*“With deeper data collection, more precise measurement, and continued stakeholder engagement, your SROI moves from being an educated estimate to a well-supported figure with less uncertainty.”*

## Top Tips

1

Theory of Change is a key foundation.

4

Combining qualitative and quantitative data is key.

2

Engage stakeholders consistently.

5

Be clear about assumptions.

3

Continuously refine your approach.

6

Start simple, focus on key measures, and build from there.



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