



SOCIAL ASSET MEASUREMENTS PRIMER SERIES

PART I OF II: SOCIAL METRICS

What is Social Metrics?

The Idea

Traditional corporations create financial profit, but nonprofits and social enterprises are creating something too: social impact; that has value. At its heart, social metrics takes this basic fact and tries to make it understandable to different audiences for the purpose of engaging stakeholders and their respective competencies in solving social issues.

Historically Speaking...

Social metrics is a fairly new field, and much of its growth has been motivated by “impact investing”, or socially motivated investing. The idea is that if one can communicate social impact in a language that investors and grantors understand, then funders will be more willing to donate to high-impact project. This has led to the Social Return on Investment methodology, which uses financial analysis tools to communicate social impact.

Social Return on Investment: How Does It Work?



Boundary Setting and Impact Mapping¹: There are two major areas here: Boundary Setting and Impact Mapping. Boundary setting is concerned with clearly indicating what your measuring. This may be one project within your organization, or the processes and projects of your entire organization. Impact Mapping visualizes your *theory of change*, or the systematic actions that will lead you to your stated social goal.

Choosing Indicators and Financial Proxies: Drawing from your impact map, SROI specialists will choose *indicators of success*, or results that best reflect the progress of your project. The next step is to attach financial values to these indicators. For example, if your organization helps youth attain higher education, and by doing so, they will have an average salary of \$44,000, then the indicator is employment after graduation, and the financial proxy is average salary.

Collecting Data: After choosing indicators and financial proxies, an SROI specialist will collect data on your program’s impact according to the chosen indicators.

1. Jeremy Nichollis et al. A guide to Social Return on Investment (Cabinet Office of the Third Sector United Kingdom: new economics foundation, 2009), 9.

2. new economic foundation. Measuring Social Impact: the foundation of social return on investment (SROI). <http://sroi.london.edu/Measuring-Social-Impact.pdf>

Summing Social and Financial Returns: From the collected data, an SROI specialist will organize and aggregate the data. This is the *gross benefit*, the total benefit to society according to your indicators.

Subtracting Deadweight Loss²: However, gross benefit is not the impact of your projects because often some social impact would have happened without the presence of your programs. Therefore, an SROI specialist will ask “What would have happened anyways?”; this is called *deadweight loss* and will be subtracted from the gross benefit to produce the *net total benefits* of your programs.

The net total benefit will then be discounted for present value and placed in the SROI formula below. The final ratio represents the Social Return on Investment of your programs.

$$\text{Social Return on Investment} = \frac{\text{Net Present Value of Benefits}}{\text{Net Present Value of Investment}}$$

Social Return on Investment: Who Pioneered It?

In 1990, the [Robert Enterprise Development Fund \(REDF\)](#) started using business practices to solve social issues unemployment issues in San Francisco. It was here that Social Return on Investment was first developed so that REDF could understand where to direct their funding for maximizing benefit. After this, SROI was refined and used by the [new economic foundation](#). It is currently practiced by a number of organizations throughout the world.

SAM's Contribution

Social Asset Measurements is motivated by a need to communicate social impact to social entrepreneurs. We think the needs of social entrepreneurs are slightly different from that of funders, and by catering to this group, the rest of the social sector will benefit.

To do this, we've developed a theoretical framework that is focused on understanding how sustainable social impact is created and spread. Below are three keys insights that SAM brings to the table:

- **Sustainability is key to the social economy.** Without sustainability, we're not really developing communities; so measuring sustainability is a large part of what SAM measures. We believe that sustainable change happens when an organization is able to facilitate a change behaviours.
- **Sustainable behaviours are spread through social networks.** To change behaviours, there needs to be a space to connect with people and learn. Without social networks, its much harder to do this
- **Drivers are important, too!** The focus on indicators of success is important to communicating social impact to funders and grantors, but what's driving social impact? This is an area that social entrepreneurs need to make decisions about where to put their time and money.