

# SOCIAL RETURN ON INVESTMENT (SROI)

## Why is it important to quantify your success?

It is important for your organization to be aware of the trends in the nonprofit sector increasing the demand for impact measurement:

- ❖ **Overall Accountability.** More and more, funders are holding nonprofits accountable for quantifying their impact. *Out of 5000 organizations, 4500 told GuideStar that they "would support high-impact nonprofits if they could readily find information on organizations' effectiveness."*
- ❖ **Fiscal Responsibility.** A good grasp of your organization's financial health is more often *expected*, rather than simply appreciated.
- ❖ **Heightened Competition.** On Long Island alone there are over 3,500 nonprofits! And that often means intense competition for the same dollars, grants and donors' attention.

## What is Social Return on Investment (SROI)?

SROI is a framework for measuring and accounting for social impact. It is often referred to as the "**triple bottom-line**" because it takes social and environmental factors into account, in addition to the traditional financial approach.



$$\frac{\text{Value of benefits}}{\text{Value of investment}} = \text{SROI}$$

## The three key components of SROI are:

- 1) **Spending** – Tracking a comprehensive listing of how much it costs to run program X
- 2) **Metrics** – Carefully defined metrics associated with program X and a related data collection plan (e.g. surveying)
- 3) **Research** – Gathering and understanding the existing research & data points in your industry, related to program X



## Outputs vs. Outcomes: An Important Distinction

While *Outputs* are simply "tangible program metrics" (what you're counting), *Outcomes* are a longer term view of your social impact. Calculating SROI is an important step on the path to Outcomes.

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