The Principles of Social Value, and why they are important for accountability and maximising social value

Introduction

The Principles of Social Value are a principle based framework for accounting for, measuring and managing social value. The Principles were originally developed in 2009 and were updated in 2015 following the merger of the SROI Network and the Social Impact Analysts Association. This report explains the thinkingthat underpins these Principles.

Basic Propositions

There are two propositions at the heart of Social Value International's approach to accounting for social value:

1. Organisations should seek to maximise the social value created with the resources they have available. Firstly, so that inequality and environmental degradation are reduced as fast as possible, and secondly because society's current approach to maximising financial value does not account for all the material social and environmental outcomes which leads to increasing inequality.

2. One of the biggest challenges is that, whilst organisations can be held to account for the financial value they create by those who receive the financial returns, people who benefit (or lose out) from social and environmental returns cannot hold organisations to account to anything like the same extent. The only way to ensure that organisations will be able to maximise their value is if they are accountable for their impact.

Following on from these propositions, Social Value International's approach to accounting for social value is designed as if organisations were accountable to the people who experience that value. It will help organisations to maximise their value.

Part of the solution will also lie within the culture of organisations and how they generate and use information on social value.

Questions that need to be answered to maximise value

The Social Value Principles are a way of summarising the core questions that have to be answered by any organisation seeking to maximise the value it creates. You can read more about them here and one way of applying them here (pdf).

There are a number of fundamental questions that are necessary (but not sufficient) to be able to maximise value.

We have grouped these questions in three sections:

1. Some framing questions to set the scene

What is the activity which is being considered?

Who is going to use the information that is produced, and what decision will be informed (this means the ultimate purpose of these questions won't be to measure your impact)?

How accurate and how detailed do the answers need to be? If this isn't clear, either too much will be done or not enough. Either way time and resources will be wasted. For accountability the answers need to provide a complete understanding of material changes.

Given that the answers can't be objective, and given our natural cognitive dissonance, how does whoever is using the information get assurance that the level of detail, accuracy and completeness is adequate for the intended decision and that the information supporting the answers is transparent?

Who is going to answer these questions?

2. Some accounting questions

Now that the context has been established:

Who has changed (or, when forecasting or budgeting your social value, 'who will change')?

Which groups (and subgroups) of people or organisations?

How have they changed, including positive and negative, and expected and unexpected changes?

How long will the organisation be accountable for the change?

How will the change be measured?

Based on that, how much change happened?

How much change was caused by our activities?

What was the relative importance of the different changes, from the perspective of those experiencing them?

If you don't have a way of quantifying this, people making a decision to choose between different options will start with a personal view of what changes they personally think are important to stakeholders, not shared and not common.
If the process of quantifying importance is explicit, the discussion that will end in a choice starts from a common understanding. This could be a rating or a weighting.

Do all the changes need to be managed or are some not important enough on basis of the answers? There will generally be many changes as a result of any activity.

3. Implications

Now you will also be able to consider:

Have you met your objectives, are they the right objectives, should you change what you do (amend, start something new, stop, scale)?

Whilst having objectives makes good management sense, you don't need to know what the objectives are to answer these questions. Approaches that start with objectives are much more open to the risks of cognitive dissonance.

Reflections

We think this list is complete, but let us know if you think there is anything missing.

More importantly we think that if any of these questions are not answered the risk that the information is not complete, for any level of rigour, increases. This increases the risk that either no decision or the wrong decision will be made. In other words, all questions should be answered at roughly the same level of accuracy for any decision rather than some very well and others not at all. We would be interested in any views on this.

So much work on impact measurement, that doesn't answer these questions, ends with only the conclusion that given more money there will be more impact. This doesn't help decisions when there are more options for allocating resources than those available. This doesn't say how effective the organisation is in creating value, and it almost certainly over claims (for example see Peter Rossi's Metallic Laws of Evaluation).

One question that is often not addressed is what is the relative importance or value of different changes. Without knowing this is very difficult to make comparisons of different options for delivering even the same service.

Choosing between options, where the value of each option is based on the answers to these questions, is fundamental to organisations that want to maximise value.

Only answering some questions significantly increases the risk that any objectives may not be the best objectives and, even if met, could even result in a net loss of value.

Principles of Social Value

This list of questions seems to be long, but the Principles of Social Value summarise them into eight more digestible rules. In practice, organisations can make a start simply by asking people what changes, looking for patterns in the answers, considering and then testing changes to services on the basis of those patterns. It is an attempt to create a minimum list where other questions would sit 'under' these questions.

These Principles are:

Involve stakeholders
Understand change
Only include what is material
Don't overclaim
Value what matters
Be transparent
Verify the result
Be Responsive

Are there many approaches?

It is a dangerous over simplification to talk about many approaches to measuring social impact. There are many impacts that need measuring but not so many approaches designed to answer these questions. Some approaches answer only some, for example a randomised control trial (or RCT) only answers one and only in relation to a specific change – that is, how much of change was caused by an activity. Despite this RCT is often described as an approach to impact measurement.

Then there are different approaches to answering the same question but with different levels of rigour.

The lack of a taxonomy to organise things that contribute to answering these questions doesn't help. However, we can think about and compare approaches to accounting for value that are designed to answer these questions.

Sustainability reporting considers many but not always all of these questions, for example often focusing on stakeholder issues rather than outcomes which may not provide information on how much change has resulted from a business's activities.

Cost-benefit analysis or CBA is designed to answer the questions at a relatively high level of rigour, often to inform government decision making and resource allocation where there is a higher level of accountability (although we have argued that CBA does not generally answer all of the questions).

These two examples share a lot in answering most of the questions, but because they are used at contrasting levels of rigour they are generally thought of as being very different.

Then there are approaches not designed to answer all the questions. Approaches to causality from Theory of Change to RCT are designed to test how much of a change is caused by an activity. And again this one question can be answered at different levels of rigour.

Many approaches to social impact where there is a focus on measuring achievement of objectives, even if they have a passing nod to unintended outcomes, are also not designed to answer these questions.

Some approaches might suggest that any assessment of how much of the change was caused by your activity are too difficult because it is assumed they can only be answered at a high level of rigour.

Culture

Answering these questions or applying the principles is often associated with a culture of relentless pursuit of value for stakeholders (or customers, clients, beneficiaries) characterised by lots of detail in defining stakeholders and recognition of different sub groups or segments. Even at low levels of rigour this information can be used to change or develop existing services. For example, where the cost of taking a different approach is low, and the change can be reversed, the level of rigour doesn't need to be high. The evidence comes from prototyping. Alternatively, where the cost of new services or products, or the consequences of an error, are high then higher levels of rigour will be demanded.

Entrepreneurial impact if you want, where the appropriate level of rigour is determined by reference to the costs and consequences of the decision that is being made, subject to being accountable.