Social Value International

Principle 8: Be Responsive. SVI Standard & Short Guidance (V.01)

A DRAFT for consultation

Please email all responses to safaa@socialvalueint.org
7th September 2021
Foreword from SVI CEO Ben Carpenter

The SVI board made the decision, in January 2021, to introduce a new ‘8th Principle’ to the Principles of Social Value. The decision was guided by our vision of “A world where decision making, ways of working and resource allocation are based on the principles of accounting for value leading to increased equality and well-being and reduced environmental degradation.”

This is the first consultation regarding SVI’s new 8th principle titled: “Be Responsive”. We are grateful to the many SVI members who have called for this significant addition to the Principles of Social Value and for taking our collective work into (much needed) new territory. Read more about why Principle 8 is being introduced here. SVI is building a movement to truly transform the way organisations make decisions and achieve social goals. Innovation and convergence in this space is needed.

This principle explicitly adds ‘organisational decision making’ to a well-established framework for ‘accounting for value’. It is worth noting that much of this principle is simply making some of the implicit practice more explicit. However, it is also worth noting that this draft includes some new concepts that have emerged as impact measurement and management (IMM) practice has evolved over the last few years.

Providing an SVI standard and guidance on decision making and pursuing ‘optimum social value’ is consistent with much other recent work in the field, many of which our members have been involved in. For example; the work of the UNDP and OECD on the SDG Impact Practice Standards (for enterprises, private equity, bonds and development finance), the British Standards Institute 8950: Understanding and enhancing Social Value Guide, International Standards Organisation 32210: Sustainable Finance: principles and guidance, the Impact Management Project’s work on Risk (led by SVI), the social, human and natural capital protocols and many other management approaches to sustainability.

Acknowledgements: Special thanks to Co-Chair of the Methodology Sub-Committee (MSC) Jenni Inglis for taking lead authorship on this draft. A big thanks also to all members of the SVI Methodology Sub Committee for their contributions to this initial draft. This is very much now a team effort and we ask for your assistance in helping us to shape this Principle, the Standard and short Guidance in this document.

Please use the SVI commenting template and submit your responses via email to hello@socialvalueint.org before the deadline of 7th September 2021.

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To help SVI continue to set standards and produce guidance we are looking for sponsorship and partners for this important work.

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This copy is for consultation purposes.
Deadline is 7th September 2021. Please contact hello@socialvalueint.org for more information
Executive summary

Be Responsive is the eighth Social Value Principle. It reflects a need not just for better accounting and reporting value, but also for better organisational decisions and risk management. In a world facing serious challenges in relation to inequality, climate change and wellbeing, organisations should be accountable for the consequences of their activities and be responsive to societal challenges by managing their positive and negative contributions.

The primary question that drives accountability to society is “How can my decisions and reporting increase the likelihood of achieving Optimal Social Value as fast as possible?”. To be accountable to the people that your decisions affect, you need to make timely decisions that are most likely to create the value that is aligned with their interests as fast as possible. In other words your decision-making needs to aim for, and account for the extent to which you are pursuing Optimum Social Value.

Optimising Social Value means delivering on goals that are internationally agreed, such as the United Nations Sustainable Development Goals, as far and as fast as possible. You must use your existing resources to their greatest potential and seek to realign resources where necessary. You will need information, compiled using the other seven Principles, to generate insights to create options, and upon which to base your decisions.

There are three types of decisions that affect the likelihood of optimising Social Value. These are; strategic decisions about goals: tactical decisions about which activities to pursue after appraising options; and operational decisions about how to improve activities. The timing of the decisions themselves, the information available when making decisions, and what you report externally about your activities and decisions, all affect the likelihood of optimising Social Value.

The Standard for “Be Responsive” is to implement a management system that pursues Optimum Social Value through each level of decision-making; strategic, tactical and operational. This system must schedule decision-making, preparation of Social Value Accounts, and external reporting. In applying Principle 8, Be Responsive, you will need to apply the other Seven Principles to achieve an appropriate degree of rigour - completeness and accuracy. The appropriate rigour depends on the risk to stakeholders that the decision would be inadvertently sub-optimal. The extent of this risk depends on the consequences of the decision, trade-offs between stakeholders and the reversibility of the decision.
Introduction

This suite of documents is for organisations that want to create Optimum Social Value (OSV).

Optimising Social Value means contributing (net) positively to societally agreed goals, such as the Sustainable Development Goals, as far and as fast as possible.

Historically, one might have expected optimising Social Value to be the preserve of social-purpose organisations. However, there is increasing recognition that actually all organisations should pursue optimum Social Value. For example, many organisations have recognised that aligning with societal interests is in the interests of their long-term viability.

Even if you are unable to explicitly pursue the goal of optimising Social Value, by following these standards you will make the gap between current decisions and optimal decisions for affected stakeholders transparent. Most organisations will find such a gap, given that if resources flowed perfectly to the things that optimised Social Value, we would not see negative social trends. Making the gap transparent means others will be able to use this information to influence the conditions in which you are operating and this will make it easier for you to make decisions that better optimise Social Value in future.

Principles 1-7 relate to how Social Value Accounts should be prepared so these are written primarily for people who have been tasked with preparing such accounts. In contrast, Principle 8 - Be Responsive - is written for people who are making decisions about organisations. It is primarily for people who manage organisations directly including non-executives and executives. However those who influence organisations, e.g. investors, customers and donors can use it to promote optimisation of Social Value by the organisations they make decisions about.

Principle 8 relates to the timing and scope of preparing Social Value Accounts and the decisions that flow from those. It also relates to setting organisational aims and strategy and generating and choosing between options. This is a new principle introduced in 2021 reflecting the need to consolidate systemic use of Social Value Accounts in decision-making.

Why does “Be Responsive” matter?

The scale of the challenges facing the world, such as inequality and climate change are significant. Organisations in any sector may contribute to tackling these challenges but may also perpetuate their worsening.

Organisations make decisions all the time about:

- What they should be aiming for; their goals
- How they should go about meeting their goals
- How they should adjust what they do in light of results
- When they should make which type of decisions

The Principles of Social Value

1. Involve Stakeholders
2. Understand what changes
3. Value what matters
4. Only include what is material
5. Do not overclaim
6. Be transparent
7. Verify the result
8. Be responsive
When handled with a view to optimising Social Value, each of these decision-points offer an opportunity to create positive social change. However, without this focus, each decision point poses a threat of worsening negative trends.

**Three types of decisions:**

At its most basic “Be Responsive” means continuously improving an organisation’s activities in order to improve social value, we call these ‘operational decisions’. These decisions should be made based on insights provided by Social Value Accounts of the activities. However, small and occasional improvements in existing activities will not always provide a sufficient or timely response to global challenges. Organisations therefore need to consider options for different activities with the potential to create the change required, we can call these ‘tactical decisions’ to Optimise Social Value. To support allocation of resources towards optimising Social Value, organisations need to set ambitious goals to address societal issues. Organisations need to respond at a speed commensurate with the urgency of these issues and achieve outcomes at a level that passes a meaningful threshold.

Organisations need to plan for the decisions that pursue optimal Social Value to be comprehensive; they need a management system. The timing of decision-making itself matters. Goal setting around climate change, for example, is clearly urgent. The quality of information used in decision-making is also crucial. Taking decisions on information that is not complete or accurate enough can lead to significant unintended consequences. Therefore a schedule of Social Value Accounting is required. Lastly those affected by organisations’ decisions often have little or no power and influence over those decisions. Accountability can be improved through reporting of the Social Value that an organisation creates and destroys, as well as the constraints that prevent the pursuit of more Optimal Social Value. These accounts and the decisions that organisations take can then be assured by a party acting in the interest of those affected.
Summary of the Principle and Key Terms

Be Responsive

Pursue optimum Social Value based on decision making that is timely and supported by appropriate accounting and reporting.

Optimising Social Value means delivering on societally agreed goals, such as the United Nations Sustainable Development Goals, as far and as fast as possible. This principle requires organisations to implement a management approach based on three types of decisions: strategic - setting goals in alignment with societal goals; tactical - choosing activities that best achieve goals; and operational - making improvements to existing activities. The management approach must also include scheduling of decision-making, Social Value Accounting to an appropriate degree of rigour, and external reporting for accountability.

Optimum Social Value in more detail

Optimising Social Value means delivering on societally agreed goals, such as the United Nations Sustainable Development Goals, as far and as fast as possible. This means both implementing activities that are designed to maximise the extent and rate of positive change, whilst also identifying and eliminating activities that result in negative Social Value as fast as possible.

Optimum Social Value is the best combination of value that is possible, considering all affected stakeholders. The optimum value for any one stakeholder group:

- Reflects a level and rate of positive value that is in the interests* of the affected group
- Only includes a level of negative value that the affected group has agreed to accept for the benefit of another stakeholder.

Achieving the optimal value for affected stakeholders as a whole will often require trade-offs between value created and destroyed for different stakeholder groups. Where such trade-offs have to be made there is a higher risk that suboptimal value will result. Where a stakeholder group is faced with potentially sub-optimal value, the decision to pursue this should be based on the stakeholders’ risk appetite.

*Stakeholders’ interests can be judged with reference to:

- A level and rate of positive change that is a meaningful contribution to societally agreed goals such Sustainable Development Goals.
- At a level and rate that is ambitious, where targets have been set with the involvement of representatives of the affected stakeholders.
- The risk appetite of the affected stakeholders. That is to say a stakeholder group might choose a more uncertain option with more positive results over a more certain option with less positive results.
- That they will not have to experience negative value, unless they have agreed to for the benefit of another stakeholder, or that is worse than the average for the context.
Social Value Accounts

Social Value Accounts, prepared in accordance with the principles of Social Value, provide a ‘complete’ summary of all the material changes that stakeholders experience (or are expected to experience) as a result of activities within a given scope.

The accounts include qualitative and quantitative data to determine what is material;

Qualitatively there is a description of all relevant outcomes with analysis of the causal relationships between the activities and the change;

Quantitatively the outcomes are tested for significance by measurement and analysis of:

- The extent of change (duration, depth and scale),
- Contribution of other factors (counterfactual and attribution),
- The relative importance of the change (value) from the perspective of those who experience it.

In order to create accountability and support decisions about optimising Social Value the accounts must be stakeholder informed. The principles of Social Value can be applied with different levels of rigour. The appropriate level of rigour for Social Value Accounts will be determined by the type of decisions they are designed to inform.

Rigour

Rigour in Social Value Accounting has two aspects - **Completeness** and **Accuracy**. The appropriate level of these for any Social Value Account is determined primarily by **Risk** to the affected stakeholders of decisions taken based on less complete or accurate information.

**Completeness** is the extent to which the account includes a description of relevant and significant change for all stakeholder groups for whom there could be relevant and significant change. Completeness is generally concerned with the extent to which the account tells a story that relates to people’s actual experience of effects of the activities. An account is more complete when the range of patterns of change, both positive and negative, that all the different groups of people experience is thoroughly explored and synthesised.

**Accuracy** is the degree of precision with which the story of change has been quantified. An account is more accurate where indicators represent change well, relative importance of outcomes is quantified (valued) using a consistent approach, statistical confidence in quantified data is high and the extent to which change was caused by the activities within scope is clearly evidenced. Whilst accuracy is very important to many types of decisions, accuracy without an appropriate level of completeness can lead to precision about a narrow set of more easily measured changes that exclude other material changes. Focus on accuracy alone can therefore lead to decisions that are against the interests of accountability and responsiveness.

**Risk** should be used as a guide to determining an appropriate level of completeness and accuracy for decisions. Risk in this context is the likelihood that the results of the decision do not reflect the preferences of the affected stakeholders. For example if stakeholders might experience significantly worse outcomes than anticipated but would not have chosen to accept this in exchange for a chance at better outcomes. Risk in any decision is increased where there are extreme consequences, where there are significant trade-offs between stakeholders and where the decision is hard to reverse.
The SVI Standard for applying Principle 8

1. Organisations must **design, implement and review a management approach** for social value accounting, reporting and decision-making in pursuit of optimal social value. The management approach must include scheduling of:
   a. Timely decisions about strategy, tactics and operations, that sets the schedule for Social Value Accounting and reporting. This schedule must weigh up the:
      i. Urgency of decision-making, against the
      ii. Desirable level of rigour - completeness and accuracy - of the Social Value Accounting used to support the decisions
   b. Social Value Accounting to support *internal* audiences' decisions designed to an appropriate degree of rigour - accuracy and completeness - determined by:
      i. The consequences of the decisions
      ii. The trade-offs involved
      iii. The reversibility of the decision
   c. Reporting to *external* audiences, designed for the purposes of accountability, addressing:
      i. All material outcomes -positive and negative- from all operations, stating the assessed risks that the Social Value Accounts could be wrong.
      ii. The extent to which decisions about strategy, tactics and operations were based on optimising Social Value and the constraints that prevented more optimal choices.

2. Organisations must **make decisions that pursue Optimal Social Value** as far and as fast as possible. Three types of decisions must be included:
   a. Strategic - goal setting that pursues societal goals such as the UN Sustainable Development Goals as far and as fast as possible.
   b. Tactical - generation and selection of options for activities in pursuit of significant shifts in the extent to which Social Value is optimised.
   c. Operational - identification and implementation of improvements to existing activities to pursue more optimum Social Value.
Short Guidance for Applying the Principle

This section includes brief guidance on applying the principle of “Be Responsive.” It sets out some of what you should and/or could do in order to meet the Standard. It may also be useful for those who cannot yet meet the standard but still want to improve the Social Value they achieve. That is to say, the principle can be usefully applied to some extent without meeting the Standard. In order to prioritise your efforts, you may find it helpful to apply the guidance with consideration of the question “How can my decisions, accounting and reporting increase the likelihood of achieving Optimal Social Value as fast as possible?”

The guidance covers the pursuit of Optimal Social Value when making decisions about Strategy, Tactics and Operations first. It then covers scheduling considerations.

Pursue Optimal Social Value in decision making

The management approach must be designed to pursue optimal Social Value, based on three levels of decision-making:

- Strategic- What should we aim to achieve?
- Tactical- What are the best activities we can choose to achieve these goals?
- Operational- How can we improve the results of our activities?

Strategic Decisions

All organisations need to decide what they are aiming to achieve. This is something that happens when the organisation is started, when new areas of activity are established and when activities are reviewed. Such decisions about aims are an important lever for improving the likelihood of optimising Social Value. Ambitious targets for societally aligned goals can be a starting point for meaningful alignment or realignment of resources in pursuit of those goals.

To Be Responsive to stakeholders you should understand the change that is in their interests, and set considered targets for what your activities will aim to achieve. Societal goals that are relevant and significant to the stakeholders of your organisation include pursuing positive change and also reducing negative effects relevant to current operations.

Both positive goals and a reduction in negative effects should be pursued to a level that passes a considered threshold and at an appropriate pace. Stakeholders’ interests should be established with reference to international goals such as Sustainable Development Goals. In some cases there will be scientifically established thresholds and rates of change required. Even so, it may not be easy to interpret societal goals into organisational targets.

You will need to set organisational targets for these goals that as a minimum pass a threshold within a period of time. The goals should be ambitious and the constraints that stop you from making them more ambitious should be clearly set out.

You should apply the other seven Principles to the analysis used to set your goals and targets. Here are some examples of how the Principles could be applied, rather than being prescriptive about how they must be applied in all cases.
1. **Involve stakeholders**
   Involve people to understand their context, what societal goals have been set for them at local, national or international level, what they would like, what they need, what others are delivering for them. Consider, especially, involving stakeholder subgroups that tend to be excluded by other organisations or that drop out.

2. **Understand change**
   Assess societal objectives and trends in social issues. Review how other organisations make a difference.

3. **Value the outcomes that matter**
   Assess which societal aims are most important from the point of view of the people affected. Weight or value these aims to allow more transparent choice between them.

4. **Include material outcomes**
   Include desired outcomes that are material to stakeholders but assess organisational capacity and decide whether to pursue these outcomes directly, or partner with other organisations that pursue them.

5. **Do not overclaim**
   Assess who else shares each aim, what are they doing, what results are they achieving. Assess operating context - risks that change will occur that affects the extent to which a goal pursues optimum Social Value.

6. **Be transparent**
   Document the way you have applied the principles to arrive at judgements, the extent to which the choice of goals reflects pursuit of optimum Social Value, and the constraints that prevent more optimal Social Value from being pursued.

7. **Verify the result**
   Include an appropriate review and scrutiny of your decision with representatives of affected stakeholders as a minimum and for riskier decisions with additional independent assurance acting in the interests of affected stakeholders.

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**Tactical Decisions**

Another way to pursue Optimal Social Value is to identify and select new, or alternative activities as options for improving Social Value, beyond “business as usual”. This may be contrasted with adjusting existing activities, which is explored in the next section. The ability to implement new activities may be more constrained and therefore may be less easy to control directly, when compared with making improvements to existing activities.

In order to make tactical decisions there are two stages; generating options from which to select; and selecting (an) option(s) to pursue.

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**Generating options for tactical decision making**

You should aim to identify options of different activities that could help you achieve your strategic goals more effectively than your existing activities. The likelihood of optimising Social Value increases when option generation:

- Is for the purpose of addressing goals that have been set in line with this Standard.
- Takes account of the urgency or scale of change that is in stakeholders’ interests.
- Includes consideration of insightful analysis of historic activities.
- Is less restricted by immediate internal and external constraints or puts in place a plan to alter constraints.
You should apply the other seven Principles in order to generate these options. Applying these principles could improve the chances of generating more optimal options.

- **Involve stakeholders:**
  Ask affected stakeholders for their ideas of how goals could be achieved. Look for examples of how affected stakeholders have addressed this aim themselves.

- **Understand what changes:**
  - Look at what other organisations have done to address this aim and difference in patterns of outcomes, quantities of outcomes or duration of outcomes, especially considering subgroups of stakeholders that have been affected, or should have been affected but were not.
  - If there is an existing activity with a similar aim review its Social Value Accounts for insights about how value can be improved (comparison of differences in outcomes for subgroups of affected stakeholders, different durations, etc)

- **Value the change that matters:**
  If there is an existing activity with a similar aim look at significant differences in value of outcomes for stakeholder subgroups.

- **Include what is material:**
  If there is an existing activity with a similar aim look at significant differences in materiality of outcomes for stakeholder subgroups.

- **Do not overclaim:**
  Look at wider responses to the challenge, including from outside your industry/field.

- **Be transparent:**
  Publish options and invite comments.

- **Verify the result:**
  Generate ideas for options and test these with representatives of the affected stakeholder groups.

### Selecting options for tactical decision making

Once you have generated sufficient options you will need to select one or more to pursue, which represent the best chance of creating optimal value for the affected stakeholders.

This may be relatively straightforward in the event that one option is implementable and likely to deliver value that is in the interests of stakeholders, and any others are not. However you may need to address trade-offs when making your selection.

The trade-offs might be between:

- Options that affect different stakeholders in different ways such that it is not clear which option represents the optimal value for stakeholders overall. Stakeholder involvement would help to establish the stakeholder’s risk appetite, or willingness to accept a poorer outcome for themselves in the interests of another stakeholder group.
- Options that are harder or easier to implement given organisational or external constraints. This is a secondary consideration. If you are unable to select the theoretically optimal solution, from stakeholders’ point of view, due to organisational or external constraints you should report that gap and make recommendations on reducing it.

The key opportunities to pursue optimal Social Value when selecting options to implement include:
Choosing options that reflect the affected stakeholders’ risk preferences.

Overcoming internal and external constraints in order to pursue options that are closer to Optimal Social Value.

This means that you will need to:

- Apply the other principles when requesting or compiling accounts of the Social Value of the options to a degree of completeness and accuracy appropriate to pursuing optimal Social Value. It is important to note that the intention of this guidance is not to create an unnecessary burden to making decisions that are easily changed and not anticipated to affect anyone negatively; such decisions will not require detailed analysis of the likely effects of multiple options.

- Consider trade-offs between sets of value from each of the options and the degree of completeness and accuracy required to determine the optimum. For example, in a choice between two options with very different overall value, the data would have to be very wrong to affect the judgement of which was optimal. In the choice between two options with very similar overall value, but different combinations of value, the risk to stakeholders from the data being incomplete or inaccurate is higher.

- Select an option to pursue that delivers optimal value for stakeholders considering the risk to it being achieved increases the further it is from current operations. This means understanding their risk appetite with respect to this increasing risk.

- Document the gap between the option selected for implementation and the optimum for stakeholders

Operational Decisions

The third way to increase the likelihood of optimising Social Value is to review and adjust existing activities. This may be the starting point for many existing organisations.

To manage the Social Value of existing activities you will need Social Value Accounts. These should be prepared to the degree of rigour - completeness and accuracy - appropriate to increasing the likelihood of achieving Optimal Social Value as soon as possible.

The detail of how to apply the other Seven Principles to preparing Social Value Accounts is contained in the standards for each of those seven Principles and so will not be covered again here.

There are two steps - generating options and selecting which to pursue.

Generating options for operational decisions

A primary consideration is how you can improve net Social Value by taking decisions that are easily within your control. You should identify and pursue the options that could amplify the most important positive outcomes, or reduce the most significant negative outcomes, within resources available.

Furthermore, you should identify any other possibilities for more significant improvement. Consider for example whether there are any patterns in the outcomes experienced by different groups (description, quantities, scale, value, deadweight, etc) that suggest tweaks that could be made?

How do the results compare with any targets you set? Were there any unintended outcomes - positive or negative - and were the thresholds and rates of intended change met or exceeded?
You could consider what you would do differently to improve Social Value with the resources that are easily within your control and also those that you could control at a stretch.

Selecting options for operational decisions

The options that you will arrive at from this approach may be tweaks to what you are currently doing. You should assess the likelihood of Optimising Social Value of these options. This likelihood is affected by:

- The extent to which the forecast Social Value approaches the optimum societal interests,
- The risk that the Social Value is different to that forecast

You may already have the information necessary to make these forecasts to the degree of rigour necessary from the Social Value Accounts of the activity, so it is possible that this is not an onerous exercise.

Schedule decisions, accounting and reporting for Social Value

The management approach must include planned scheduling of:

- Timely decisions about strategy, tactics and operations,
- Social Value Accounting to support internal audiences' decisions, and
- Reporting for accountability to external audiences.

Timely decisions

You must schedule decisions about strategy, tactics and operations so that they are timely with respect to optimising Social Value. You should also make provision for taking ad hoc decisions, in order to increase the likelihood of optimal Social Value. When making decisions you must judge whether sufficient insight into optimising Social Value is available, or whether seeking greater insight is more likely to be in the interests of optimising social value.

Organisations naturally take decisions on a range of time horizons. For example: decisions about goals and strategy might be made on a 3 year cycle, whilst adjustments to practice might be made on a quarterly basis.

To “Be Responsive” you will need to set your decision-making schedule in pursuit of optimal Social Value, which may differ from historic decision-making timescales. This is because the likelihood of optimising Social Value can be influenced through timeliness in: setting goals, generating and selecting options to pursue those goals, and making adjustments to any implemented options. For example, it is internationally agreed that urgent actions to reduce CO2 emissions are required. Therefore, waiting for several years before setting goals for reducing CO2 would be against the Principle of “Be Responsive”. Similarly, if there is a risk or indication that an activity has a material negative effect on a group, it would not “Be Responsive” to wait to review that activity.

The availability and quality of information used in these decisions also affects the likelihood of optimising Social Value. Therefore, you need to plan the collection and analysis of relevant information to support the decision-making schedule. To “Be Responsive” you will need information about the Social Value of your existing activities and about societal interests more broadly prepared
to an appropriate degree of rigour - i.e. completeness and accuracy. An assessment of the degree of rigour that is appropriate should also factor in the extent to which a decision is intractable once made.

There is always tension between the decision-making schedule and the rigour of the available analysis. You will therefore need to assess the risk to the affected stakeholder of proceeding with available analysis versus the risk of delaying the decision until more rigorous analysis is available. Conversely your decision-making schedule should reflect the risk of making decisions later than they could have been made because the degree of rigour required of the analysis was too much.

Organisations naturally take decisions that vary in scope. Some decisions concern the whole organisation, others only one division, service or geography. Some concern choices of broad strategy, others options, others detail. In hierarchical organisations there is likely to be a scheme of delegating decisions to a particular position in. To Be Responsive you will need to take decisions at the appropriate scope to pursue optimal Social Value. That may mean revisiting strategy or options rather than just making a tweak to a detail. Conversely, details can make a big difference to the effect an activity has on a stakeholder group. Therefore, the opportunity to enhance Social Value by making tweaks must be pursued. Where you lack authority to take a decision at a scope that is in the interests of optimising Social Value, you should make a recommendation to those that do.

Social Value Accounting
You must schedule Social Value Accounting to support internal audiences’ decisions about strategy, tactics and operations, and to support external reporting. Such Social Value Accounting must be designed to provide insight into what is societally optimal and the choices your organisation has.

The appropriate degree of rigour for accounts of Social Value depends on:

- **Consequences.** How significant the anticipated effects are expected to be and the degree of certainty about them.
- **Trade-offs.** The extent to which there are trade-offs between affected groups, especially where any group is forecast to be negatively affected.
- **Reversibility.** The alterability of the decisions that the Social Value Accounts will be used for.

For example, in the event that the results are different to those forecast, how easily can the activities be changed, based on time and cost?

Judgements about what is societally optimal require insights into trade-offs between affected stakeholders based on their risk appetite/tolerance. Judgements about how far and fast the organisation can respond require insights into trade-offs between the interests of those with a financial stake and other interests. In taking any decision there is always a risk that the information used to make the decision was materially wrong and a risk that the effects of the decision are not completely or accurately enough understood. These risks must be assessed in the Social Value Accounts.

Comparing Social Value Accounts of Options
Social Value Accounts of options need to apply Social Value principles to the extent that they are complete enough and accurate enough to improve the likelihood of achieving Optimal Social Value. The more complete and accurate the Social Value forecast you have for each option the easier it
will be to make a clear decision. However, there is a balance to be struck, since completeness and accuracy of forecasts comes at a cost. This cost can even include delaying the decision in ways that are counterproductive to stakeholder interests. Equally, it can be unhelpful to expect all options to have the same standard of evidence available on which to make a decision. You should be careful that differences in quality of evidence between options don’t influence your perception of their value.

When comparing Social Value Accounts of different options it is worth noting that these could be based on:

- Forecast results of activities that have yet to occur, which will have a lower accuracy of quantitative results than evaluated results. It is important not to discard options that look promising for stakeholders because of this lower level of accuracy. The affected stakeholders might choose an option with lower certainty of better results over one with higher certainty of slightly poorer results.

- Evaluated results that have occurred as a result of (similar) activities with (similar) stakeholders, extrapolated for a future forecast. If basing the forecast on evaluated results it is worth remembering that past performance is never a perfect indicator of future results so you will still need to consider how future results may be affected by changes in organisational and/or external conditions when setting a forecast.

The accounts of these options will need to include a likelihood assessment of the forecast sets of value occurring. The likelihood assessment will need to include the risk that the activities are not operationalised in the way anticipated, the risk that external conditions change, the risk that affected stakeholders do not participate in the way expected, the risk that material value is not accounted for.

It may be tempting to delay the decision until better evidence is available. However, consider the reversibility of the decision and the current situation of the stakeholders. Is it better for the affected stakeholders to make a decision on the evidence available now or to delay until better evidence is available?

External reporting

You must report to increase accountability to external audiences. This should be scheduled so that the scope and timing of the reporting itself promotes more Optimal Social Value.

External reporting should include all material outcomes from all operations, stating the assessed risks that the information used could be wrong and that the effects might be different than expected.

External reporting should also set out the constraints that limit alignment with societal interests of organisations’ goals, tactical choices and operational improvements. You should explain how you attempted to further optimise Social Value and what prevented you from doing so.

Assurance of reported information, by a party acting in the interests of affected stakeholders, will further improve accountability.

Finally - review the management approach

*The extent to which the management approach is working towards Optimal Social Value must be reviewed and improvements to it implemented.*
Consider pursuing accreditation of management approach. SVI can recommend accreditation schemes that align to this standard.
Appendix

Recommendations for further reading

- Making Materiality Determinations
- Maximise your impact: A guide for social entrepreneurs
- SDG Impact Management Practice Standards
- IMP work on risk
- https://benchmark.futurefitbusiness.org/be.html

SVI Glossary

To add