



# STANDARD ON APPLYING **PRINCIPLE 8:**

# BE RESPONSIVE



## Foreword

**By Ben Carpenter, CEO, Social Value International**

The publication of this document marks an important milestone for Social Value International (SVI) as it officially introduces “Be Responsive” as the eighth Principle of Social Value. The essence of this Principle is to *take action*; to *make decisions* about social value in response to data and measurement.

The decision to add this new Principle was not taken lightly, it involved many months of discussions between the SVI board, Methodology Sub-Committee, and wider consultation with the SVI membership. Ultimately, it was agreed that this new Principle is necessary to accelerate progress towards our vision: “*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.*”

Furthermore, Principle 8: Be Responsive can be seen as a natural addition to the Principles in light of the recently published (March 2022) document titled [The Purpose of the Principles of Social Value and SVI Standards](#). This document states how the Principles and SVI Standards are designed to be a decision-making framework for *optimising impacts on wellbeing for all materially affected stakeholders*.

The Standard for Principle 8: Be Responsive explicitly adds ‘decision making’ and ‘impact management’ to SVI’s well-established framework for ‘accounting for value’. Whilst much of this Standard is making *implicit* practices more *explicit*, it is worth acknowledging that, through the co-creation process, it has provided an excellent opportunity to incorporate some new thinking around setting *impact thresholds, targets* and exploring *impact risks*. These concepts have all risen up the agenda as the discipline of impact measurement continues to evolve into impact *management*.

This Standard also provides an opportunity to build on and align with other important developments within our field such as the SDG (Sustainable Development Goals) Impact Practice Standards, 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.

Yours Sincerely,



**Ben Carpenter**

**July 2022**

## ACKNOWLEDGMENTS

We are grateful to the individuals within the SVI community who have passionately campaigned for the introduction of Principle 8: Be Responsive. Special thanks to Co-Chair of the Methodology Sub-Committee (MSC) Jenni Inglis and Impact Director Adam Richards for their thought leadership and work on this document. Gratitude as always to all members of the [SVI Methodology Sub Committee](#) for their contributions to the numerous drafts and to everyone across the world who responded to the public consultation.

## PARTNER WITH US

Please contact us if you are interested in helping us achieve our mission and vision. Specifically, in relation to this Standard, we are seeking partners to accelerate adoption and develop further versions and guidance. We are also seeking partners who can translate this document into other languages.

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## RELEASE NOTES FOR VERSION 1

This is the first release of a Standard for Principle 8: Be responsive therefore this section has no summary of changes made from previous versions.

If you have feedback on this version and would like to make recommendations for version 2, please contact us.

For all enquiries, please contact us using the email address: [hello@socialvalueint.org](mailto:hello@socialvalueint.org).

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## Executive Summary

Social Value International (SVI) believes that, in a world facing serious challenges in relation to inequality, climate change and wellbeing, organisations should be responsive to these challenges by purposefully making decisions that *optimise the positive impact their activities have on the wellbeing of all materially affected stakeholders*. This type of decision making increases an organisation's accountability and its potential to create as much social value as possible.

The eighth Principle of Social Value 'Be Responsive' is a *management* principle, formally introduced by SVI (in 2021) to an already established set of Social Value accounting principles. This principle represents the imperative for organisations to respond to impact measurement or 'Social Value accounts' with action. Users of this Standard will create a structured 'impact management approach' that can guide decision making at strategic, tactical, and operational levels to optimise impacts on wellbeing.

This document comprises four sections: section one provides a short overview of the Principles of Social Value and the SVI Standards; section two introduces the eighth Principle 'Be Responsive' in more detail and section three sets out the SVI Standard for applying it. Section four provides short guidance on how to meet the SVI Standard. Appendices provide further reading and the SVI Technical Glossary of Key Terms.

This Standard, read in conjunction with the other SVI Standards can enable you to optimise impacts on wellbeing for all materially affected stakeholder groups. This will help you achieve your goals and contribute to a more sustainable and equitable world.



# 1 An Overview of the Principles of Social Value and the SVI Standards

Social Value International advocates a principles-based approach to accounting for value and impact management. This section provides a short introduction to the Principles of Social Value and the purpose of the SVI Standards.

## What are the Principles of Social Value?

The Principles of Social Value are a combination of accounting principles (for measurement) and management principles (for transparency and improved decision making).

Each of the Principles of Social Value are borrowed from existing disciplines such as financial accounting, sustainability reporting, evaluation, and general social research.

When combined, the principles create an accountability and decision-making framework for organisations who want to optimise impacts on wellbeing for all materially affected stakeholder groups.

**Principle 1:** Involve Stakeholders is a powerful accountability principle that drives through the other principles ensuring that the people who experience the impacts are informing the measurement and management of the impacts on their wellbeing.

**Principles 2-5** are primarily accounting principles that inform what information about social value should be collected, and how social value from the stakeholder's point of view should be assessed.

**Principles 6-7** are about disclosing the information and how to build confidence in the social value accounts and manage impact risks.

**Principle 8:** Be Responsive is about how information should be used to inform decisions that optimise impacts on wellbeing for all materially affected stakeholder groups. It also ensures that the level of rigour in the accounts is proportionate for the decisions that the account is designed to inform.



## The Principles and Social Return on Investment (SROI)

The Principles of Social Value were first published in [The Guide to SROI](#) (2009) produced by The SROI Network (now known as Social Value UK). The Principles were updated in 2014 when Principle 3: Value what matters was adjusted to allow for non-monetary valuations and 2021 when Principle 8: Be Responsive was added.

Producing a Social Return on Investment (SROI) analysis requires the application of all the Principles of Social Value. Specifically, when applying Principle 3, the valuations of inputs and impacts are represented in monetary terms in order to generate an SROI ratio.

### What is the purpose of the Principles of Social Value and the SVI Standards?

**The Principles of Social Value have been designed to support the production of ‘social value accounts’ and decision making that optimises impacts on wellbeing for all materially affected stakeholder groups.**

The SVI Standards for applying the Principles are designed to achieve the following aims:

1. Accountability to all materially affected stakeholder groups by ensuring that social value accounts include the impacts that matter to them regardless of the social or financial objectives of the activities. This provides a high level of ‘*completeness*’ to impact data.
2. Impact management decisions are based on ambitious targets for optimising wellbeing across different stakeholder groups. This should be achieved through proportionate levels of ‘*accuracy*’ in the social value accounts (a useful shorthand is the phrase ‘enough precision for the decision’).

The Standards can be used by any organisation from public, private or civil society sectors. Whilst these different sectors may hold differing approaches to balancing financial returns with impacts on wellbeing, the SVI Standards ensure that impacts on wellbeing are always optimised to a minimum *threshold* determined by a combination of societal norms and what is accepted by each stakeholder group.

The Principles of Social Value and SVI’s Standards are designed to support decision making that optimises impacts on wellbeing for all materially affected stakeholders.

## How can users gain verification or assurance against the Principles of Social Value?

The Principles of Social Value should be understood as ‘principles of practice.’ The SVI Standards set out requirements to achieve ‘best practice’ in applying the Principles. Users of the Standards can gain confidence that they have attained this best practice (or how close they are to ‘best practice’) by obtaining a peer review or verification/assurance against the SVI Standards.

Peer review is an informal check against the SVI Standards that can be done by any person. Verification or assurance against the Standards must use an assurance scheme and must be completed by a suitably qualified individual.

For more information users should see The Standards for Principle 6: Be Transparent and Principle 7 Verify the Result.



# 2

## Introducing Principle 8: Be Responsive

This section introduces Principle 8 with a short summary and description of the principle, a discussion on why it is important and what it means to optimise impacts on wellbeing for all materially affected stakeholder groups.

### A short summary and description of Principle 8

Be Responsive: Optimise the impacts on wellbeing of all materially affected stakeholders through decision making that is timely and supported by appropriate accounting and reporting.

This principle requires organisations to implement an impact management approach based on three types of decisions:

- *Strategic* - setting impact goals in alignment with stakeholder needs and societal goals;
- *Tactical* - choosing activities that best achieve impact 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.

### Why it is important and what it means to optimise impacts on wellbeing for all stakeholder groups?

Whilst it is true that living standards across the world have improved for many, the globalised system we live in now also faces extreme challenges such as rising inequalities and harm being caused to the wellbeing of people and the environment. The scale of these challenges presents *risks* to us all, but by changing the way we account for value and make decisions, every organisation (in any sector) has an *opportunity* to tackle these challenges and create a more sustainable world.

Organisations make decisions all the time about:

- What they should be aiming for; their 'impact goals'
- What activities can help them achieve their impact goals
- How they should adjust their activities in response to performance
- When they should make which type of decisions
- What information they should use to make decisions
- What they should report about the value they create and the decisions they make

When each of these decision-points are taken with the SVI purpose of *optimising impact on wellbeing for all materially affected stakeholder groups*, they offer an opportunity to create positive social change and contribute positively to sustainable development. However, without this focus, each decision-point poses a risk that inequalities continue to widen, and wellbeing of people and the environment continues to suffer.

Optimising impacts on wellbeing for all materially affected stakeholder groups means implementing activities that are designed to maximise the extent and rate of positive changes in wellbeing, whilst also identifying and eliminating activities that result in negative changes in wellbeing as fast as possible.

The optimum impact on wellbeing for any one stakeholder group includes

- a level and rate of positive change (in aspects of wellbeing) that is in the interests\* of the affected group

And:

- a level and rate of negative change (in aspects of wellbeing) that the affected group has agreed to accept for the benefit of another stakeholder.

Achieving the optimal impact on wellbeing for all materially affected stakeholders will require trade-offs between value created and destroyed for different stakeholder groups. Where such trade-offs must be made there is a higher risk that sub-optimal impacts on wellbeing and overall 'value creation' 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 and tolerance.

\*Stakeholders' interests can be judged with reference to:

- A level and rate of positive impact on wellbeing that meets, as a minimum, societally agreed thresholds.
- A level and rate of positive impact on wellbeing where targets have been set with representatives of the affected stakeholder group.
- The risk appetite of the affected stakeholders. That is to say a stakeholder group might prefer a riskier option with a bigger potential positive impact on wellbeing over a low-risk option with low impact on wellbeing.
- Avoiding a negative impact on wellbeing unless they have accepted this for the benefit of another stakeholder (tolerance).

**THE SVI  
STANDARD  
FOR APPLYING  
PRINCIPLE 8:  
BE RESPONSIVE**



# 3

## The SVI Standard for applying Principle 8: Be Responsive

### About the Standard

This section presents the SVI Standard for applying Principle 8: Be Responsive. This Standard has been approved by the SVI Board on 9<sup>th</sup> June 2022 as an aspirational level of practice for users to achieve.

It uses the term ‘organisation,’ but the standard can be applied to any scope of activities, beyond or within the boundaries of one organisation, that are being managed to optimise impacts of wellbeing.

The requirements set out in this Standard can be used by a third party to provide peer review or verification/assurance that practice meets the SVI Standards. Peer review is an informal check against the requirements that can be done by any person. Verification or assurance against the Standard must use an assurance scheme and be completed by a suitably qualified individual.

This section does not include a list of transparency and verification requirements for Principle 8. These will be provided in the Standard for Principle 6: Be Transparent and Principle 7: Verify the Result.



## The Standard

### 1. Embedding a management approach

Organisations must design, implement, and continuously improve a 'management approach' for optimising impacts on wellbeing of all materially affected stakeholder groups.

The 'impact management approach' must include the following:

- a) *Systematic scheduling of decision making* that:
  - I. Is timely and regular
  - II. Supports all three levels of decision making (strategic, tactical and operational)
- b) *Create mechanisms for responding to* the impact data by assigning responsibility to individuals, departments or committees.
- c) *Social value accounts* are prepared to support internal decision making considering appropriate levels of rigour and impact risk.
  - I. The accounts are prepared through the application of Social Value Principles 1-7.
  - II. The rigour (completeness and accuracy) of the accounts are appropriate for the type of decision they are intended to inform and justified with a risk management statement.
- d) *Annual social value reports* are published externally for transparency and accountability to all stakeholders.
  - I. The reports are produced in accordance<sup>1</sup> with the SVI Report Assurance Standard.
  - II. The reports undergo appropriate verification before publication.
- e) *Continuous improvement of the impact management approach* including:
  - I. Regular review of the systems and processes
  - II. Planning and implementation of improvements to systems and processes

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<sup>1</sup> In accordance means with reference to the SVI Standard criteria even if the report does not meet each criteria.

## 2. Making decisions to optimise impacts on wellbeing

Organisations must regularly respond to data by making strategic, tactical, and operational decisions that optimise impacts on wellbeing for all materially affected stakeholder groups.

- a) **Strategic decisions** are made that set impact goals, targets and thresholds for all materially affected (or potentially affected) stakeholder groups.
  - I. Impact goals are set based on a combination of;
    - meaningful stakeholder engagement to establish *what* impacts on wellbeing are important to all materially affected stakeholders
    - local context in terms of sustainable development or other societally agreed goals
  - II. Impact thresholds and targets are based on a combination of;
    - Level of impact considered acceptable by the stakeholders who experience the impact
    - Societal or science-based targets and thresholds
- b) **Tactical decisions** are made about different options (activities) that could be deployed to optimise impacts on wellbeing of all materially affected stakeholders.
  - I. Forecast impact data should be used for comparing between different options (activities). The data sets should be comparable in terms of;
    - Appropriate levels of rigour (completeness and accuracy)
    - Levels of stakeholder engagement
- c) **Operational decisions** are made about how to improve the existing products or services to optimise impacts on wellbeing
  - I. Adjustments to existing products and services are informed by regular analysis of;
    - Impact performance data and;
    - Stakeholder feedback



# **GUIDANCE TO MEET THE STANDARD**

## 4

## Short guidance for meeting the SVI Standard

This section includes short guidance notes on how to apply the principle of “Be Responsive” in order to meet the SVI Standard. The guidance is also useful for those who cannot yet meet the standard but still want to improve their approach to social value and impact management. 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 our decisions, accounting, and reporting, increase the likelihood of optimising impacts on wellbeing for all materially affected stakeholder groups at a rate of change acceptable to them?”**

The guidance is structured in line with the SVI Standard starting with (1) Guidance on how to embed a management approach followed by (2) Guidance on how to make decisions about optimising impacts on wellbeing. Firstly, it is important to provide an explanation on what we mean by ‘decision making’ and to implement this Standard, SVI have identified three types of decisions.

### Three types of decisions:

At its most basic “Be Responsive” means *continuously improving a set of 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 tweaks to existing activities will not always provide a sufficient or timely response to optimising impacts on wellbeing for all stakeholders. These small improvements alone are not likely to help us meet the collective goals we have set such as the SDGs (Sustainable Development Goals). Therefore, organisations need to *consider options for different activities with the potential to create the change required*. We can call these ‘*tactical decisions*’ to optimise impacts on wellbeing for all materially affected stakeholder groups.

However, ultimately, to effectively plan and allocate resources that optimise impacts on wellbeing for all materially affected stakeholder groups, organisations need to make ‘*strategic decisions*’ about impacts on wellbeing. Strategic decision making requires a constant review on *what* impacts should be prioritised and whether enough impact is being achieved at the speed necessary.

Ambitious impact thresholds and targets must be set and embedded into each level of decision making. It is also important to acknowledge that all types of impact led decisions will need to be agile and responsive to a constantly evolving situation. The most important aspects of wellbeing to prioritise will be constantly evolving. It is therefore critical that organisations do not become too wedded to a set of impact goals and targets. Embedding all of the Principles of Social Value into a management approach will ensure that an organisation stays alert to different opportunities to optimise impacts on wellbeing for all materially affected stakeholder groups.

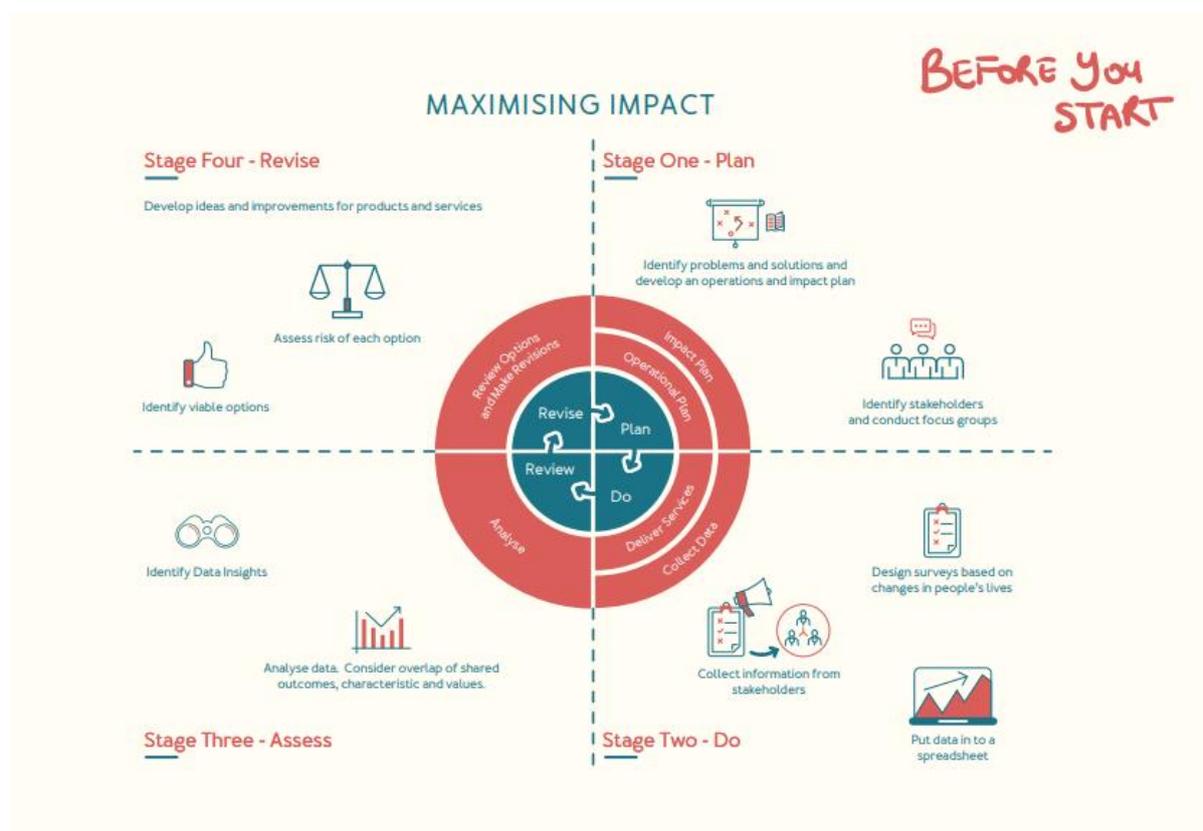
All of the SVI Standards require meaningful stakeholder engagement with the people who experience the impacts. Meaningful stakeholder engagement means ensuring that their voices and experiences are able to inform the decisions taken that will affect them. This is critical to increase accountability and to ensure the measurement of impacts is as useful as possible.

For decision making at strategic, tactical, and operational levels, it is important that meaningful stakeholder engagement takes place to identify what aspects of wellbeing (outcomes) are most important and present the best opportunity to optimise overall wellbeing. This stakeholder engagement should be triangulated with other contextual information incorporating other relevant societal goals (e.g., relevant social value or sustainability policies set by public bodies). Building on these impact goals, strategic decision makers will need targets and these need to respond at a speed commensurate with the urgency of these issues and achieve impacts at a level that passes a meaningful threshold.

## 1. Guidance on how to embed a management approach

Organisations need to embed decision making that optimises impacts on wellbeing into the pulse and rhythm of the organisation. To be comprehensive; they need a structured management approach with clear systems and processes. The scheduling and timing of decision making itself matters; for example, target setting around climate change is clearly urgent. The social value accounts used to support decision making is also crucial: taking decisions on information that is not complete or accurate enough can lead to significant unintended consequences. Lastly, those affected by organisations' decisions often have little or no power and influence over those decisions. Accountability can be improved through publishing reports that include the amount of social value created (or eroded), as well as the constraints and decisions made to optimise impacts on wellbeing of all materially affected stakeholders. These accounts, reports, and decisions that organisations make can then be assured by a party acting in the interest of those people who experience the impacts.

Below is a diagram that shows the continuous process of collecting impact data and using it at every stage of the cycle; Planning, Doing, Assessing and Revising or 'Responding'!



### 1(A) Guidance for scheduling impact decision making

1(a) Scheduling of impact decision making that:

- III. Is timely and regular
- IV. Supports all three levels of impact decision making (strategic, tactical, and operational)

The management approach must include a 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 and regular decisions

You must schedule decisions about strategy, tactics, and operations so that they are timely with respect to optimising impacts on wellbeing for all materially affected stakeholder groups. You should also make provision for taking ad-hoc decisions, in order to increase the likelihood of optimising impacts on wellbeing. When making decisions you must judge whether sufficient

insights from stakeholder-informed evidence is available, or if seeking greater rigour is more likely to be in the interests of optimising impacts on wellbeing.

Organisations naturally take decisions with 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 or more frequent basis.

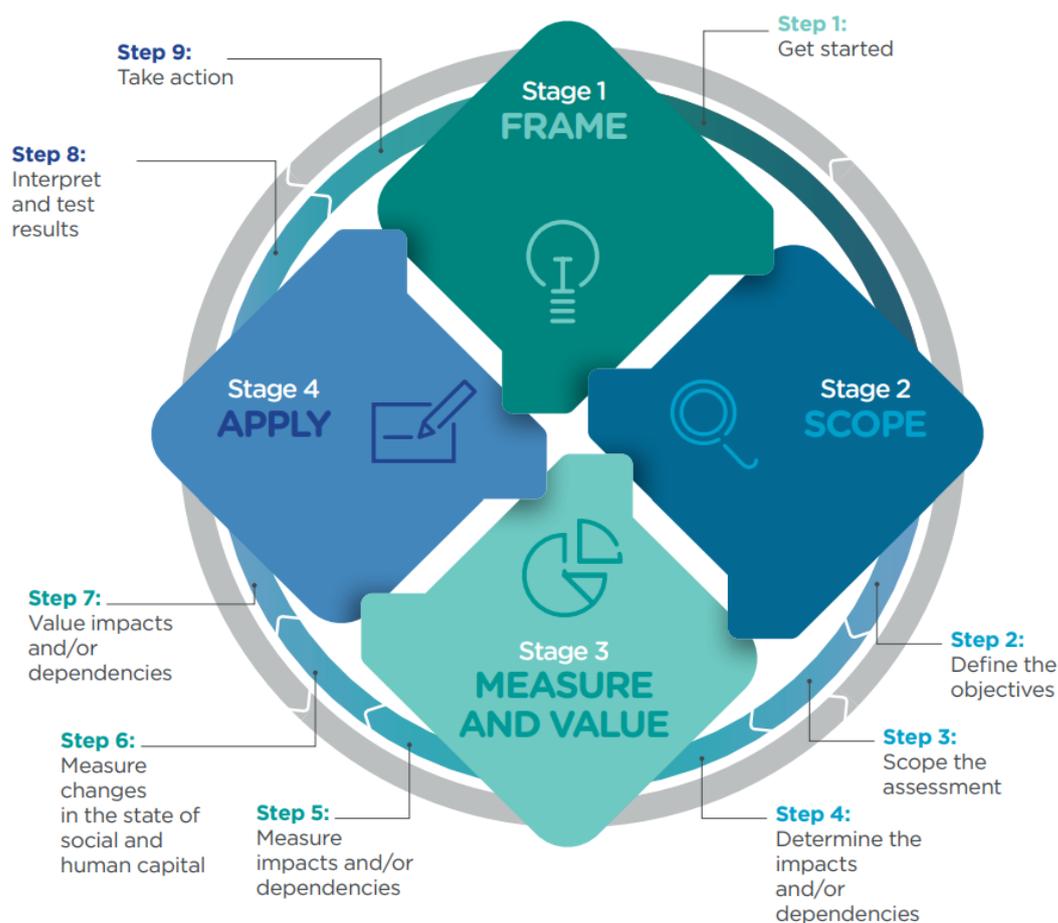
To “Be Responsive” you will need to set your decision-making schedule in pursuit of optimising impacts on wellbeing for all materially affected stakeholders, which may differ from historic decision-making timescales. This is because the likelihood of optimising social value can be influenced through timelines in: setting goals, generating, and selecting options to pursue those goals, and adjusting 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 any indication that an activity has a material negative impact 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 reversibility of the decision.

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.

See example Schedule of Impact Management Decision Making in Appendix.

Another useful guidance document that can help to frame decision making is [the Social and Human Capital Protocol](#). The diagram below shows how scoping out the decision first can help frame the appropriate measurement and response:



### 1(B) Guidance on creating mechanisms for responding to the impact data by assigning responsibility to individuals, departments, or committees

To increase accountability and ensure that impact data leads to a response it is best practice to assign responsibility for this to individuals or committees. Organisations that can make this commitment will be better placed to respond to impact data.

Above, we have identified how decision making can be strategic, tactical, and operational. Decision making can also vary depending on the scope of activities; some decisions concern the whole organisation, others only one division, service, or geography. In hierarchical organisations there is likely to be a scheme of delegating decisions to a particular individual or committee. To “Be Responsive” you will need to take decisions at the appropriate scope to pursue optimal Social Value. 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.

## 1(C) Guidance on preparing social value accounts considering appropriate levels of rigour and impact risk statements

1(c) *Social value accounts* are prepared to support internal decision making considering appropriate levels of rigour and impact risk

- I. The accounts are prepared through the application of Social Value Principles 1-7.
- II. The rigour (completeness and accuracy) of the accounts are appropriate for the type of decision they are intended to inform and justified with a risk management statement.

A guidance notes on the term 'Rigour' for social value accounts:

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 all material impacts experienced by all stakeholder groups. Material impacts being changes in wellbeing that are relevant and significant. 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 outcomes, both positive and negative, that all the different groups of people experience, is thoroughly explored and synthesised. Completeness is often compromised through with low levels of engagement with the people who are affected about what outcomes occur and matter most to people.

**Accuracy** is the degree of precision with which the outcomes and impacts have 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 the scope of analysis 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 outcomes (for example: focusing exclusively on your impact goals or 'intended outcomes') and excluding other material outcomes and impacts. Focus on accuracy alone can therefore lead to decisions that reduce accountability to all materially affected stakeholders.

**Risk** should be used as a guide to determine an appropriate level of completeness and accuracy for decisions. Impact risk in this context is the likelihood that the results of the decision (actual impact) do not meet the expectations and risk tolerance of the affected stakeholders. There is impact risk with every decision. Therefore, it is important that decisions taken reflect acceptable levels of risk from the perspective of those stakeholders affected. For example, each decision offers stakeholders the chance of a better outcome, but if there is a risk that it might lead to a worse outcome, the risk of this must be explored with stakeholders to test their 'risk appetite.' Practically, testing risk appetite could be done by asking (a representative sample of) stakeholders about their 'willingness to accept a worse outcome in exchange for the chance of a better outcome. Impact Risk in any decision is increased where the consequences are severe and likely, where there are significant trade-offs between stakeholder groups and where the decision is hard to reverse.

### Appropriate levels of rigour – “Enough Precision for the Decision”

Social value accounts should be prepared to support internal decisions about strategy, tactics, and operations. For internal decision making, social value accounts must be designed to provide insights into what is optimal for stakeholders and present options for the organisation. The key question for users of the accounts (decision makers) and preparers of the accounts is 'what level of rigour is required for the decision?.'

The appropriate level of rigour for social value accounts depends ultimately on the decision it is intended to inform. More specifically the rigour should be determined by a range of risk factors:

- *Consequences*: How significant the anticipated impacts are expected to be and the degree of certainty or 'likelihood' 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, if the results are different to those forecasted, how easily can the activities be changed, based on time, and cost?

Judgements about what is optimal for stakeholders and society require insights into trade-offs between affected stakeholders based on their risk appetite or willingness to accept less impact. Judgements about how far and fast the organisation can respond requires insights into trade-offs between the interests of those with a financial stake and other interests.

### Managing Impact Risk

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.

For more guidance on Impact Risk see: <https://impactfrontiers.org/norms/five-dimensions-of-impact/impact-risk/>

### Producing a statement that justifies rigour and identifies risks

Justifying the appropriate level of rigour can be done by providing a short statement within the social value account that provides a rationale for the ‘completeness’ and ‘accuracy’ of the account within the context of the decision(s) that the social value account is designed to inform. The statement should also identify risks in relation to the three factors: consequences (likelihood and severity), trade-offs and reversibility.

*More guidance on quantifying risk will be published by SVI shortly.*

### 1(D) Guidance on external reporting

1(d) Annual social value reports are published externally for transparency and accountability to all stakeholders.

- I. The reports are produced in accordance<sup>2</sup> with the SVI Report Assurance Standard.
- II. The reports undergo appropriate verification before publication.

Publishing social value reports externally can increase accountability to all stakeholders. This should be scheduled so that the scope and timing of the reporting itself helps to optimise impacts on wellbeing for all materially affected stakeholder groups.

External reporting should aim for ‘*completeness*’ by including all material outcomes in the scope of the analysis. Following the SVI Standards for each Principle and adhering to the SVI Report Assurance Standard will enable this completeness.

Wherever possible, the external reports should include a list of the decisions made to optimise impacts on wellbeing. This can be a ‘management narrative’ on any actions taken to optimise positive impacts and actions taken to reduce any negative impacts. Alongside these ‘actions taken,’ there can be an explanation of any constraints that limited the organisations’ goals, tactical choices, and operational improvements. This allows for an explanation of how you are attempting to further optimise impacts on wellbeing and what prevented you from doing so.

Assurance of reports, by a third party acting in the interests of affected stakeholders, will further improve accountability as they will verify that evidence provides sufficient rigour to support decision making and judgements about materiality are appropriate. Reports should meet the SVI Report Assurance Standard.

Where it is not feasible for a formal assurance or verification of the report, it is best practice to undertake an informal ‘peer review.’ This can be done by anyone, and the SVI Report Assurance Standard can be the reference point.

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<sup>2</sup> In accordance means with reference to the SVI Standard criteria even if the report does not meet each criteria.

## 1(E) Continuous improvement of the management approach

1(e) Continuous improvement of the management approach that includes:

- I. Regular review of systems and processes
- II. Planning and implementation of improvements to systems and processes

The systems and processes within a management approach will always evolve with the organisation. It is important that the extent to which the management approach is helping to optimise impacts on wellbeing for all stakeholder groups is reviewed and improvements are implemented.

It may be helpful to also pursue accreditation of management approach to further manage the risks of making suboptimal choices. SVI can recommend accreditation schemes that align to this Standard.

## 2. Guidance on making decisions to optimise impacts on wellbeing

Organisations must regularly respond to data collected by making strategic, tactical, and operational decisions that optimise impacts on wellbeing for all materially affected stakeholder groups.

- 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?

### 2(A) Guidance on strategic decision making

Strategic decisions are made that set impact goals, targets, and thresholds for all materially affected (or potentially affected) stakeholder groups.

- I. Impact goals are set based on a combination of:
  - meaningful stakeholder engagement to establish *what* impacts on wellbeing are important to all materially affected stakeholders
  - local context in terms of sustainable development or other societally agreed goals
- II. Impact thresholds and targets are based on a combination of:
  - Level of impact considered acceptable by the stakeholders who experience the impact
  - Societal or science-based targets and thresholds

All organisations need to identify 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 goals 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 changes that are in their interests and set ambitious targets for what your activities aim to achieve. Stakeholders’ interests should be considered alongside societal and international goals such as the SDGs. To achieve such goals, both positive changes and a reduction in negative effects should be pursued to a level that passes a considered threshold and at an appropriate pace. 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.

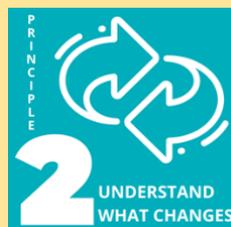
You will need to set organisational targets for these goals that, as a minimum, pass a threshold within a period of time. The targets should be ambitious and the constraints that stop you from making them more ambitious should be clearly set out.

### How the other Principles of Social Value can help set strategic decisions

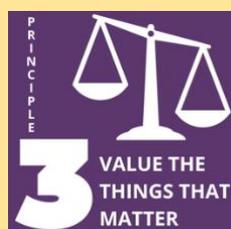
This is an illustration of how the other seven Principles of Social Value can be applied to set impact goals, thresholds, and targets.



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 and those that hold conflicting or alternative views.



Use data that you have on historic changes (previous social value accounts) to think about targets for next year’s performance. This can help to set realistic but also ambitious targets for an amount of impact or ‘change.’ Without previous performance data, you could assess wider societal objectives and trends in social issues. Review how other organisations make a difference.



Assess which outcomes or impact goals are most important from the point of view of the people affected. Weight or value these aims to allow more transparent and effective choices between them.



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

<p style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: 8px;">PRINCIPLE</p>  <p style="font-size: 24px; font-weight: bold; margin: 0;">5</p> <p style="font-size: 10px; margin: 0;">DO NOT OVER-CLAIM</p>	<p>Assess who else shares your impact goals and targets. Explore what activities they are doing, what results are they achieving and how can your activities contribute or collaborate.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: 8px;">PRINCIPLE</p>  <p style="font-size: 24px; font-weight: bold; margin: 0;">6</p> <p style="font-size: 10px; margin: 0;">BE TRANSPARENT</p>	<p>Document the way you have applied the Principles to arrive at judgements about goals, targets, and thresholds. Be transparent about the extent to which the choice of impact goals and targets reflect a pursuit of optimum social value, and the constraints that prevent optimal social value from being pursued.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: 8px;">PRINCIPLE</p>  <p style="font-size: 24px; font-weight: bold; margin: 0;">7</p> <p style="font-size: 10px; margin: 0;">VERIFY THE RESULT</p>	<p>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.</p>

For more guidance on setting goals, targets and thresholds read this United Nations Development Program guidance note: Enterprise Action 4. Set impact goals in line with [now integrated purpose and strategy](#) and read more about the Enterprise Standards for Impact Management [here](#).

## 2(B) Guidance on tactical decision making

Tactical decisions are made about different options (activities) that could be deployed to optimise impacts on wellbeing for all materially affected stakeholders.

- I. Forecast impact data should be used for comparing between different options (activities). The data sets should be comparable in terms of:
  - Appropriate levels of rigour (completeness and accuracy)
  - Levels of stakeholder engagement

Organisations should make tactical decisions about optimising impacts on wellbeing for all materially affected stakeholders. This requires organisations to identify, appraise and select alternative activities (for example, different modes of delivery such as online or offline) as options for achieving their impact targets. This requires innovative thinking that challenges “business as usual” and explores alternative activities in pursuit of optimum social value.

Tactical decision making should not be confused with operational decision making which is about making small tweaks and adjustment to existing activities (this is explored further in the next section). Tactical decision making is about examining if different activities could achieve impact targets, or if some activities should be stopped because they are creating negative impacts or not enough positive impact. Of course, the ability to implement radically new activities may be more constrained. However, it is important to periodically reflect and consider

new alternative activities that could help optimise impact on wellbeing for all materially affected stakeholder groups.

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

### *Generating options for tactical decision making*

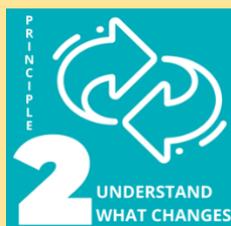
You should aim to identify options of different activities that could help you achieve your strategic goals and impact targets more effectively than your existing activities. The likelihood of optimising social value increases when option generation:

- Is for the purpose of addressing impact 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

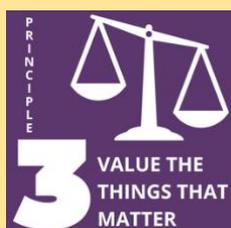
**You should apply the other seven Principles of Social Value in order to generate these options. Applying these Principles could improve the chances of generating more optimal options.**



Ask affected stakeholders for their ideas of how impact goals could be better achieved. Look for examples of how affected stakeholders have addressed this themselves.



Look at what other organisations have done to address this goal 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 look at significant differences in value of changes to outcomes for stakeholder subgroups.

<p>PRINCIPLE <b>4</b> ONLY INCLUDE WHAT IS MATERIAL</p> 	<p>If there is an existing activity with a similar aim look at significant differences in materiality of outcomes for stakeholder subgroups.</p>
<p>PRINCIPLE <b>5</b> DO NOT OVER-CLAIM</p> 	<p>Look at wider responses to the challenge, including from outside your industry/ field.</p>
<p>PRINCIPLE <b>6</b> BE TRANSPARENT</p> 	<p>Publish options and invite comments.</p>
<p>PRINCIPLE <b>7</b> VERIFY THE RESULT</p> 	<p>Generate ideas for options and test these with representatives of the affected stakeholder groups as well as potentially other actors that can provide useful insights (e.g., peer review).</p>

### *Selecting options for tactical decision making*

Once you have generated sufficient options you will need to select one or more to pursue, selecting the option(s) that represents the best chance of creating optimal impacts for the affected stakeholders.

This may be relatively straightforward if one option is implementable and likely to deliver impact 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 so that it is not clear which option represents the optimal value for stakeholders overall. Stakeholder involvement would help to establish the stakeholders' risk appetite, or tolerance of a poorer result for themselves in the interests of another stakeholder group<sup>3</sup>.

<sup>3</sup> Some examples of where a stakeholder might accept a worse outcome for themselves at the expense of others: To increase equality in the workplace, some employees might be willing to sacrifice increased salary and opportunities to advance the salary and opportunities of other less privileged employees. In a domestic setting; a parent might accept less time spent with children after school if the outcome for children was better learning and fulfilment in school.

- 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 optimal solution for your stakeholders owing to organisational or external constraints, you should report that gap and make recommendations on how you will reduce it.

Optimising impacts on wellbeing requires the following:

1. Choosing different tactical options that reflect the affected stakeholders' impact risk appetite and tolerance.
2. 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 while being aware that the risk to it being achieved increases the further it is from current operations. This means understanding stakeholders' risk appetite with respect to this increasing risk.
- Document the gap between the option selected for implementation and the optimum for stakeholders.

### **Comparing different options for optimising impact on wellbeing**

In order to make decisions about optimising impacts on wellbeing, there needs to be a choice between different options. Therefore, decision makers need to review the Social Value accounts or 'forecasts' for the different options. This can be called 'options appraisal' and is fundamental to all management decision making.

The different sets of Social Value accounts for each option need to apply the Principles of Social Value to the extent that they are complete enough and accurate enough to

improve the likelihood of optimising impacts on wellbeing for all materially affected stakeholders. 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 do not influence your perception of their value.

When comparing the 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, and 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 for you to make a decision on the evidence available now or to delay until better evidence is available?

## 2(C) Guidance on operational decision making

Operational decisions are made about how to improve the existing products or services to optimise impacts on wellbeing

- I. Adjustments to existing products and services are informed by regular stakeholder engagement

The third way decision makers should increase the likelihood of optimising impacts on wellbeing is to review and adjust existing activities. This may be the starting point for many

existing organisations. An important first step is to ask stakeholders “How can this activity improve Outcome X for you?”

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, and/or reduce/eliminate 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, counterfactual, 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 targeted change met or exceeded? For example, it may be that one segment of stakeholders' experiences less positive change than another and does not meet expectations. In this case, operational choices can be made so activities better meet the needs of the segment not achieving the required changes.

You could consider what you would do differently to improve social value with the resources that are easily within your control and those that you could control with a bit more resources.

### *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 social value,

And

- 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.

## Appendices

### Recommended Reading & Resources

Recommendations for further reading and useful resources:

- [Maximise your impact: A guide for social entrepreneurs](#)
- [SDG Impact Management Practice Standards](#)
  - [And guidance notes for each business action](#)
- [The Social and Human Capital Protocol](#)
- [IMP \(Impact Management Project\) work on risk](#) and the [Impact Management Platform](#)
- [Making Materiality Determinations](#)
- [Future-Fit Business Benchmark](#)
- [The Guide to SROI](#)
- [SVI Standards and Guidance for the other Principles of Social Value](#)
- [The Purpose of the Principles of Social Value and the SVI Standards](#)
- [Common Approach Foundations](#)

### SVI Glossary

For more information, please check [here](#).

# SOCIAL VALUE

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## INTERNATIONAL

### ABOUT US

Social Value International is the global network focused on social impact and social value. Our members share a common goal: to change the way society accounts for value.

This pioneering community contains members from 45 countries, drawn from a huge range of different sectors and disciplines. Our goal at Social Value International is to support, connect, and represent our members through training, knowledge-sharing and networking.

Social Value International is much more than a professional network. Together, we are building a movement for change.

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