Stage 1

Stage 1:
Establishing scope and identifying stakeholders

Before you start your SROI analysis, you need to clarify what you are going to measure and how, and why you are embarking on a measurement process.

If you are carrying out an evaluative SROI analysis it may be useful to set up an SROI planning team. Winning management support at this early stage can help to make resources available for the SROI analysis, which in turn might allow you to extend its scope.

There are three steps in this stage:

1.1 Establishing scope
1.2 Identifying stakeholders
1.3 Deciding how to involve stakeholders

1.1 Establishing scope

The scope of an SROI analysis is an explicit statement about the boundary of what is being considered. It is often the result of negotiations about what is feasible for you to measure and what you would like to be able to improve or communicate. You will need to be clear about why you are conducting the analysis and what resources are available, and define the priorities for measurement. This stage will help ensure that what is being proposed is feasible.

The example below illustrates how a housing foundation made decisions about the scope of its SROI analysis.

Example: Establishing scope for a housing foundation
A large housing foundation was interested in calculating its social return to communicate its impact to its primary funder. The foundation has 35 employees and is involved in many activities, ranging from youth clubs to physical estate improvement projects. As there was no budget for the SROI analysis, it was decided that it would be conducted in-house and responsibility would rest with the quality manager at the foundation.

It was decided to publish the results of the SROI analysis alongside the end-of-year financial accounts in four months' time. The short timeframe, limited resources and the fact that the SROI analysis had to be completed in-house meant that the focus was to be on one project, with a plan to consider other projects in subsequent years. The decision was made to focus on a project which gave debt advice to tenants. This project has direct relevance for the foundation's primary funder, as one of the outcomes of the project is an increase in the number of tenants able to pay their rent.

What to consider in order to set scope
The issues you will need to consider include:

1. **Purpose**
   What is the purpose of this SROI analysis? Why do you want to begin this process now? Are there specific motivations driving the work, such as strategic planning or funding requirements?

2. **Audience**
   Who is this analysis for? This should cover an initial assessment of how you will communicate with your audiences.

3. **Background**
   Consider the aims and objectives of your organisation and how it is trying to make a difference. If you are focusing on specific activities you will need to understand the objectives of those activities. It is important that you have a clear understanding of what your organisation does and what it hopes to achieve by its activities. For sources of further support and information on this see the Resources section.

4. **Resources**
   What resources, such as staff time or money, will be required? Are these available?

5 **Who will carry out the work?**
Can you undertake the SROI analysis internally, or will you need to bring in external help? Make sure you have the right mix of skills and support from the start. Generally, you will need skills or experience in finance, accounting, evaluation and involving stakeholders.

6 **The range of activities on which you will focus**
Will you be analysing all the activities of your organisation, or just specific ones? You might want to separate the activities related to a particular source of funding,or those that are a priority for you. Keep your scope small if it is the first time you are doing an SROI analysis.

Clearly describe what you intend to measure. For example, if the activity was ‘our work with young people’, this may cover several departments within your organisation and you may actually mean something more specific, like ‘mentoring support provided to young people’.

7 **The period of time over which the intervention will be considered**
SROI analysis is often annual, corresponding with annual financial accounting timescales. This can vary. For instance, a commissioner may want an evaluation of a specified timescale.

8 **Whether the analysis is a forecast or an evaluation**
If this is your first SROI report it will be much less time-consuming to prepare a forecast than to conduct an evaluative SROI analysis, unless you have the right outcomes data available. Otherwise, a forecast SROI analysis will help you to put in place a measurement framework so that you can come back to do evaluative SROI in the future.

Top Tip: Keep good records
Good record keeping is essential to successfully completing an SROI analysis. When you get to Stage 6, you will see that the SROI report needs to contain a lot more than just the calculation of the social return. It needs to document the decisions and assumptions you made along the way. Keeping a dedicated record of your planning and progress from the start will make writing the report a lot easier.

Adjusting the scope
Adjusting your scope in response to new information is good practice and not unusual. In particular, you may wish to review your scope after considering the numbers and types of stakeholders you need to involve. This will determine the resources required and it may mean you need to start with fewer activities.

The worked example – scope
Wheels-to-Meals is a charity that works with older people. Wheels-to-Meals provides transport for its members to come to a centre, where they are provided with hot, nutritious lunches. While at the centre, members have the opportunity to socialise, attend workshops on health and related issues, and take mild exercise.

The local authority contract for this charity is to become the subject of a joint commissioning approach. Wheels-to-Meals wants to contribute to the joint commissioning process with a credible demonstration of the social value it is creating. Wheels-to-Meals' staff and trustees worked together to define the scope of their upcoming SROI analysis and decided that it would:

- contribute to the joint commissioning process;
- cover all the activities of the organisation over one calendar year;
- be a forecast SROI analysis; and
- be undertaken by internal staff.

Remember that this is an example and is not intended to be a full analysis of scope.

Over to you: Establishing scope and constructing a plan
Consider these questions in relation to the SROI analysis you are undertaking.

1 What is the purpose of the SROI?

2 Who is it for?

3 What is the background?

4 What resources do you have available?

5 Who will undertake the SROI?

6 What activities will you focus on?

7 What timescale (period) will your analysis cover?

8 Is the analysis a forecast, a comparison against a forecast or an evaluation?

Record your answers, as you will need to refer to them during the analysis and when you come to write your report.

1.2 Identifying stakeholders

Listing stakeholders
Now that you are clear about the scope of the analysis, the next step is to identify and involve your stakeholders. **Stakeholders** are defined as people or organisations that experience change, whether positive or negative, as a result of the activity being analysed. In SROI analysis we are concerned primarily with finding out how much value has been created or destroyed and for whom.

To identify the stakeholders, list all those who might affect or be affected by the activities within your scope, whether the change or the outcome is positive or negative, intentional or unintentional.

The example below, which is referred to throughout the guide, relates to an organisation called MillRace IT. This is a real example as opposed to our worked example of Wheels-to-Meals. The example below shows you what a stakeholder list looks like.

Example: Listing stakeholders for MillRace IT
MillRace IT is a social firm offering supported volunteering and employment to people with mental health problems. At MillRace IT, computers are refurbished and distributed to new users, or serve as educational parts for the training programme.

Each year, some participants from MillRace IT move forward into employment after training. However, due to the nature of its core client base, some participants may never enter mainstream employment. In these cases, the goal is to provide a long-term volunteer opportunity, where clients are able to contribute and be productive in a supportive work environment. By spending time at MillRace IT, participants can avoid a relapse in their condition and extend their recovery.

MillRace IT is a former project of InterAct, another mental health charity, and the two organisations still work together. MillRace IT also has a commercial partnership with RDC, a private sector computer-recycling firm.

Here is a list of all those who affect or are affected by MillRace IT:

- Employees
- Individual customers who purchase recycled IT equipment
- Organisations which purchase IT services
- Members of the local community
- Project participants – people recovering from mental ill health
- The family members of project participants
- Local mental health care system
- InterAct, as the founding organisation
- RDC, the commercial company that offers office space to MillRace IT
- Local government
- National Health Service
- UK taxpayers

Over to you: Draw up a list of your stakeholders

Deciding which stakeholders are relevant

You can see from the example above that the SROI process would quickly become unwieldy if you had to involve all possible stakeholders.

When deciding whether a stakeholder is relevant you need to think about what the outcomes may be for them. Which stakeholders are experiencing significant change as a result of your activities? In the next step you will be asking stakeholders about this from their perspective and this may mean you have to change your initial decision about the outcomes. However, at this stage you need an initial, broad understanding of stakeholder outcomes.

There is a tendency to focus on the positive outcomes that were intended (or expected) by your stakeholders, particularly if you focus only on your organisational aims or objectives, which do not usually identify unexpected or negative changes. However, intended and unintended outcomes and positive and negative outcomes are all relevant to SROI.

Some **unintended outcomes can be positive.** For example, a local economic development initiative undertook an evaluative SROI analysis and found that there had been a number of positive outcomes beyond getting a job. Those with children said they were now able to be better parents because getting a job had improved their general mental health and wellbeing. In some cases, unintended benefits can be more important to stakeholders than those that were intended.

However, **some unintended outcomes can be negative**. For example, a London-based charity flies young people from disadvantaged homes to Greece during the summer holidays, to give those children an educational experience and a holiday. Alongside the many positive outcomes for the young people, there is also an unintended negative consequence of carbon emissions from the flights. Including the carbon emissions simply makes the trade-off visible and might encourage ideas on how they achieve their objectives in a less carbon-intensive way.

One type of unintended change happens when your activity displaces someone else's activity. For example, reducing crime in one area may displace criminal activity to another area. In this case, the residents of the neighbouring area should be included as stakeholders. This may mean you need to reconsider your scope.

Top Tip: Unintended consequences and forecasting

If you are forecasting your return it may be more difficult for you and your stakeholders to assess possible unintended consequences. However, you may be able to use other people's previous experience of similar activities to identify unintended outcomes.

The example below continues with MillRace IT to show which stakeholders were included in the analysis and which were excluded. You will see that a reason is given for each decision, often based on a broad understanding of the outcomes for that stakeholder.

Example: Selecting material stakeholders at MillRace IT	
Key stakeholders	**Reason for inclusion**
Employees	Those employed would not otherwise be employed. This is a significant change to their lives
Project participants – people recovering from mental ill health	Primary beneficiaries who are likely to be experiencing significant outcomes if intervention is successful
The family members of project participants	Improvement in mental health of participants is likely to have a significant impact on families who may have previously had significant caring responsibilities
Local government in Essex	The computer recycling may reduce landfill charges for the local authority and help to meet environmental targets
National government (NHS and Department of Work and Pensions)	Savings in health spending if mental and physical health improves. Potential for reductions in benefit payments and increased state income from taxes where employment is increased
Excluded stakeholders	**Reason for exclusion**
Board members	No significant changes to board members were identified
Individual customers who purchase recycled IT equipment	Could buy computers elsewhere
Organisations that purchase IT services	Could buy services elsewhere
Members of the local community	Benefit likely to be too diffuse to measure in this analysis and difficulties in determining who would properly represent stakeholders in the community
Local mental health care system	Savings already captured by the national government (see above)

Make sure stakeholder outcomes link to your activities
Be careful that the stakeholders you have included experience change that is related to the activity in your scope. A common mistake is to include stakeholders that are relevant to the organisation but not to the activities set out in the scope. For example, if you are doing an SROI analysis of one project, be careful not to include stakeholders whose outcomes are achieved as a result of another project.

Make sure your choice of groups of stakeholders doesn't hide significant differences
When stakeholder groups are identified it is often assumed that they share enough common characteristics to form one group, for example 'local residents' or 'participants' or 'young people'. Yet members of these groups may experience and want different outcomes depending on their age, income or some other factor. If you think these differences are likely to be significant, split your stakeholders into subgroups.

Occasionally, you may find that past experiences have a major effect on whether participants achieve a particular outcome. For example, for an organisation working with young people, those who have previously had support from another organisation may do better when they work with you. Splitting them into subgroups now may help you sort out how much of the outcome was due to your intervention.

Over to you: Determining which stakeholders to include
Set up a table like the one below. Put all the stakeholders from your initial list in the first column, together with your initial assessment of how they affect or are affected by the activity, including positive and negative effects. Next decide which of the stakeholders experience significant change and are 'material' to the SROI analysis. Give your decision and a reason in the third column. Leave the remaining three columns blank until the next step.

Stakeholder and how they affect or are affected by the activity	What we think happens to them, positive and negative	Included/ excluded?	Method of involvement	How many?	When?

1.3 Deciding how to involve stakeholders

This section introduces you to methods of involving stakeholders. So far you have based your assessment of stakeholders and change on your own knowledge and experience.

As well as helping you find out what really matters to your stakeholders, involving them can help you to understand more about strengths and weaknesses of the activities you are analysing and may provide useful information that can help your organisation improve.

Methods for involving stakeholders

Collecting information from stakeholders can be as simple as phoning someone or as complex as holding a facilitated focus group session. When gathering information from participants, ask staff that work with them about the best way of engaging them. Here is a list of possible methods for involving stakeholders:

- Get stakeholders together in one place and ask them directly;
- Try a workshop format, with informal discussions and a flipchart to record responses;
- Have stakeholders complete a form during a regularly scheduled meeting – for example, an annual general meeting of an organisation, or other set gathering;
- Ring representatives from key stakeholder groups and ask them;
- Email a short form to representatives from key stakeholder groups;
- Have a social event and ask staff members to walk around and speak to stakeholders;
- One-to-one interviews.

Ideally, you should collect information directly from stakeholders. However, lack of time or resources may mean that some information has to come from existing research with your stakeholders. Where possible these existing sources should themselves be based on asking your stakeholders. Also, there may be stakeholders you cannot involve – future generations, for example. In this case you need to identify people to speak on their behalf.

Top Tip: Be practical about involving stakeholders

It is particularly important to be sensitive to the amount of time and resources stakeholders can give to this process, whether they are staff, funders, or participants. Think about each stakeholder’s inputs, outputs and outcomes before meetings to ensure that time is used as efficiently as possible. If it is likely that you will have to speak to them again to collect more data for your analysis, make sure that you tell them this so they know what to expect.

Think about ways in which people already gather, for example public meetings or training sessions, and see if you can make use of any of these. Also, where you are asking people to give a significant amount of time to the process with no obvious benefit to them, consider providing incentives such as lunch, travel expenses or vouchers to encourage attendance.

Stage 1

How much involvement?
At this initial stage you do not have to worry about getting a large sample that is statistically representative. You can stop doing new research when you no longer 'hear' new things and so can reasonably expect to have heard the main points. This approach is commonly used in social research and is called 'saturation'.

Using time effectively
Involving your stakeholders need not be onerous or time-consuming and is often a way of checking and refining your work.[1] However, you can limit time spent on this by being creative.

By planning ahead you may be able to use your time (and that of your stakeholders) effectively by collecting data for several stages at once. So don't feel that you have to keep going back to your stakeholders.

For forecast SROI analyses you can often collect the information needed for stages 2, 3 and 4 in one session.

For evaluative SROI analyses you can collect information for stages 2 and 3.1 in one session – although you will need to collect the information in stage 3.2 as a separate exercise. As a result you may be able to collect the information you need for the remainder of stages 3 and 4 either in the first session or at the same time as you collect the information for stage 3.2.

Regardless of the type of SROI analysis, you will also need to engage with your stakeholders for stage 6.

Over to you: Planning for involving stakeholders
Now that key stakeholders have been identified, fill in the next three columns of the plan for involving stakeholders that you started in section 1.2. Put in the details of how you will involve them, how many you will involve and when. This plan will be summarised and form part of your report.

1 In HM Treasury's *Green Book* the principle of proportionality states that the amount of time spent on analysis should be proportionate to the amount being spent on the activity overall.