Understanding and Use of The Principles of Social Value

Social Value International 2016 Survey Results
Contents

- Executive Summary (page 3)
- The Principles, Accountability and Maximising Value (page 5)
- Context (page 7)
- The Respondents (page 8)
- Principle One: Involve Stakeholders (page 10)
- Principle Two: Understand What Changes (page 12)
- Principle Three: Value The Things That Matter (page 15)
- Principle Four: Only Include What Is Material (page 17)
- Principle Five: Do Not Over-Claim (page 19)
- Principle Seven: Verify The Result (page 21)
- Governance and Leadership (page 22)
- Conclusions and Recommendations (page 25)
Executive Summary

Throughout November 2016 Social Value International (SVI) undertook some research to understand how far the Social Value Principles have been understood, adopted and applied in practice. This is part of SVI’s efforts to measure our own impact. A survey was distributed online to current members, expired members and non-members of SVI. This is the third time we have conducted this type of survey.

Reasons to be cheerful

- 67% of all respondents believe that their understanding of the Principles of Social Value has affected their policies, practices and/or procedures to improve social value
- 77% of respondents involve stakeholders in deciding which outcomes to measure
- 84% of respondents have procedures in place to consider the relative importance of outcomes
- 62% of respondents collect information about what would happen to their stakeholders if their service did not exist

Must do better

- 52% of respondents do not continuously update their theory of change based on impact information
- 85% of respondents do not have governance structures that set targets based on social impact information
- 45% of respondents have not made any changes to their policies, practices and/or procedures in the last year due to information about their social impact
- Only 23% of respondents seek independent assurance of their social impact information

Conclusions and Recommendations

The survey results were analysed by the following sub-groups of respondents; advisors, delivery organisations, investors, policy makers & academics.

The findings showed that, on the whole, advisors (consultants and infrastructure organisations) have the best understanding and application of the Social Value
Principles. In contrast, the responses from delivery organisations suggested that it is harder to put the principles into practice.

Consequently, the National Networks affiliated to SVI might want to focus more on supporting delivery organisations to practically apply the principles at a range of levels of rigour. A clear message is to emphasise the maximising of social value rather than a focus on ‘measuring’.

Other key recommendations for the future is to highlight the importance of the right culture within organisations – one that promotes innovation and accountability throughout, from frontline staff right through to governance structures. Lastly, the survey demonstrated that social value should be a governance issue and raising this at board level is something that SVI are keen to promote. We hope that this will lead to an increase in assurance and verification of social value accounts to improve credibility and utility of the information.
The Principles, Accountability and Maximising Social Value

Social value is the relative importance that people place on the changes they experience in their lives. Some, but not all of this value is captured in market prices. The Principles of Social Value provide the basic building blocks for anyone who wants to make decisions that take this wider definition of value into account, in order to increase equality, improve wellbeing and increase environmental sustainability. They are generally accepted social accounting principles and are important for accountability and maximising social value. The Principles are not individually remarkable; they have been drawn from principles underlying social accounting and audit, sustainability reporting, cost benefit analysis, financial accounting, and evaluation practice. There are other guides available on the process of measuring and reporting social value and impact that also refer to principles. However, the Principles of Social Value can be distinguished by their focus on what underpins an account of social value, and on the questions that need to be addressed so that the information can be used to better inform decisions.

An account of social value is a story about the changes experienced by people. It includes qualitative, quantitative and comparative information, and also includes environmental changes in relation to how they affect people’s lives. By applying the Principles, it is possible to create a consistent and credible account for the value that is being created or destroyed. The outcomes, and the measures and values of outcomes, can remain specific to the context, activity, and the stakeholders involved. The Principles can be applied at different levels of rigour depending on the needs of the audience and the decisions that will be taken. The application of the Principles will require judgements. Therefore the information produced using the Principles needs an appropriate level of independent verification or assurance. As a result, the requirement for verification is one of the Principles.

Adopting the Principles will sometimes be challenging as they are designed to make invisible value visible. Value is often invisible because it relates to outcomes experienced by people who have little or no power in decision-making. Applying the Principles will help organisations become more accountable to the people they have an effect on. The Principles extend accountability beyond simply measuring whether an organisation’s objectives have been met. Ultimately, this widened scope of accountability involves collecting data that can be used to innovate and maximise the social value they can create with their resources.
Principles of Social Value

1. **Involve stakeholders** – Inform what gets measured and how this is measured and valued in an account of social value by involving stakeholders.

2. **Understand what changes** – Articulate how change is created and evaluate this through evidence gathered, recognising positive and negative changes as well as those that are intended and unintended.

3. **Value the things that matter** – Making decisions about allocating resources between different options needs to recognise the values of stakeholders. Value refers to the relative importance of different outcomes. It is informed by stakeholders’ preferences.

4. **Only include what is material** – Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact.

5. **Do not over-claim** – Only claim the value that activities are responsible for creating.

6. **Be transparent** – Demonstrate the basis on which the analysis may be considered accurate and honest, and show that it will be reported to and discussed with stakeholders.

7. **Verify the result** – Ensure appropriate independent assurance.
Context

This is the third survey that Social Value International have carried out. This began with an evaluation of the use of Social Return on Investment in 2011 and was followed up by a survey in 2015 into the use of the Principles of Social Value.

In 2011 we found that although awareness and understanding of the Principles of Social Value was growing, it was commonly perceived that measuring social value was a time and resource intensive procedure meaning that application of the Principles was modest. The evaluation found that significant learning took place even when measurement was not completed.

In 2015, we found that the majority of respondents believed that they had a good understanding of the Principles of Social Value and that the perception of measuring social value being difficult was beginning to change as people understood levels of rigour and tailoring for audiences more. However, overwhelmingly when changes were applied as a result of measurement, they were often for external audiences such as funders rather than to improve services.

This year we have tailored the survey for five subgroups: delivery organisations, funders, advisors, legislators and academics. The purpose for this is to identify where the principles have gained most traction and where there are opportunities to increase the application of the principles.
The Respondents

The survey was circulated online (via Qualtrics) to; current members; expired members and; non-members of Social Value International. Of the 275 people who completed the survey, 55% were not current members of Social Value International and the remaining 45% held either an individual or organisational membership to Social Value International (or a National Network affiliated to SVI).

![Responses by membership](image)

The survey asked respondents to state the role they play. The two largest groups were delivery organisations and consultants/advisors (this includes infrastructure organisations). Academics also made up a decent proportion. The two smallest groups were investors and policy makers with only 22 and 10 responses respectively. Findings from these last two categories should be treated with care as the sample size is fairly low.
We asked respondents to tell us which sector they operated in as well as what role they played and we were pleased to see a good spread across sector and role. See table below:

<table>
<thead>
<tr>
<th>Your role</th>
<th>Sectors operating in</th>
<th>Civil Society (3rd sector incl. ‘non-profits’)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public Sector</td>
<td>Private Sector</td>
<td></td>
</tr>
<tr>
<td>Delivery Organisations</td>
<td>17</td>
<td>23</td>
<td>60</td>
</tr>
<tr>
<td>Investor/Commissioner</td>
<td>8</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Consulting/Advising</td>
<td>39</td>
<td>62</td>
<td>81</td>
</tr>
<tr>
<td>Policy Maker/Legislator</td>
<td>6</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Academic/Research</td>
<td>18</td>
<td>14</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>274</strong></td>
</tr>
</tbody>
</table>

**Table**: Survey Respondents by Role

- **Public Sector**: 88
- **Private Sector**: 106
- **Civil Society (3rd sector incl. ‘non-profits’)**: 188

*NB: Many respondents (especially consultants/advisors) work across sectors and therefore selected more than one.*

The table shows that a large proportion of respondents work (at least in part) in the civil society sector. It is interesting to note that the private sector had a larger representation than the public sector. This is different to previous surveys which might indicate a wider trend amongst the private sector to consider non-financial value.
Principle 1: Involve stakeholders

*Involving stakeholders is about informing what gets measured and how this is measured and valued by involving stakeholders. Stakeholders are those people or organisations that experience change as a result of the activity and they will be best placed to describe the change. This principle means that stakeholders need to be identified and then involved in consultation throughout the analysis, in order that the value, and the way that it is measured, is informed by those affected by or who affect the activity.*

Involving stakeholders in defining outcomes

On average, 83% of all respondents said they involve or recommend involving stakeholders in deciding which outcomes to measure. Of this number, advisors were the highest positive respondents, with 95% saying they recommend involving stakeholders in defining outcomes.

![Figure 2: Which respondents involve stakeholders in deciding which outcomes to measure](image)

Identifying sub-groups of stakeholders

Across all respondents, 74% of respondents identified sub-groups within their stakeholders.

“By looking at the profile of our community and the outcomes that we are (or are not) achieving, as well as the experience and input from front line staff, we have been able
to target some work to subsections of our community”
(Delivery Organisation)

“We ask them to identify groups and tell us how they are addressing those needs”
(Funder)

“The extent to which I would like them to break down their subgroups is too much for the capacity we have.”
(Funder)

“Depending on the size and nature of the client’s operations we will use methods including materiality analysis, theory of change, or other approaches to identify stakeholders, issues, indicators, and outcomes.”
(Advisor)

Re-designing services to cater for the needs of sub-groups

Only 51% of delivery organisations went on to amend their programmes based on the needs of subgroups, despite 100% of legislators and 72% of consultants recommending they do so. Where organisations identified and catered for the needs of subgroups they did so through a process of consultation, surveys, focus groups and review meetings.

“We adapt the time, location and delivery style for different sub-groups”
(A civil society delivery organisation)
Principle 2: Understand what changes

To understand what changes is to articulate how change is created and evaluate this through evidence gathered, recognising positive and negative changes as well as those that are intended and unintended. Value is created for or by different stakeholders as a result of different types of change; changes that the stakeholders intend and do not intend, as well as changes that are positive and negative. This principle requires the theory of how these changes are created to be stated and supported by evidence. These changes are the outcomes of the activity, made possible by the contributions of stakeholders, and often thought of as social, economic or environmental outcomes. It is these outcomes that should be measured in order to provide evidence that the change has taken place.

Having a theory of change

The results showed that academics and legislators are most likely to only have a theory of change for the main beneficiary group (59% and 67% respectively), developing them for multiple stakeholders is much less common amongst these groups (31% and 17%). In an encouraging sign, over half of the delivery organisations, funders and advisors have (or recommended having) theories of change for multiple stakeholders.

*Figure 3. Survey Respondents who hold a TofC, and which type*
Reviewing and updating the theory of change

Overall, the majority of respondents update their theories of change either continuously or on a cycle of every 1 or 2 years. The surprising and slightly concerning result was that over a third of all legislators and delivery organisations have never updated their theory of change.

![Survey Respondents on how often they update their TofC](image)

**Figure 4. Survey Respondents on how often they update their TofC**

Identifying unintended/negative outcomes

An impressive 72% of respondents identify negative outcomes as part of their practice. Interestingly, delivery organisations are doing this the least, with less than half identifying a full spectrum of outcomes, compared to over 80% of funders and consultants. One consultant stated that organisations are usually cooperative with collecting information about negative outcomes but less so when accepting responsibility for these outcomes, which may explain the hesitance to address this principle by some delivery organisations. In addition, another advisor revealed there is still a concern for delivery organisations about reporting negative outcomes to funders.
“Identifying unintended or negative outcomes varies between clients. Some very engaged and positive. Others not interested at all.”
(Advisor)

“We look it as a risk management process and identify risks of success and failure to properly identify all opportunities and mitigate risk factors”
(Delivery Organisation)
Principle 3: Value What Matters

Many outcomes are not traded in markets and as a result their value is not recognised. Ranking should be used in order to recognise the value of these outcomes and to give a voice to those excluded from markets but who are affected by activities. This will influence the existing balance of power between different stakeholders.

Determining relative importance of outcomes

The majority of those polled (84%) have procedures in place to determine the relative importance of outcomes and these numbers are consistently high across the sub-groups polled.

When asked to explain the procedures respondents mentioned stakeholder engagement, cause and effect conversations, external research and consultations to rank outcomes. On the whole though, most of the qualitative answers revealed procedures that did not put stakeholders views at the heart of determining relative importance (value). This is something to look into in more detail.

“Early in our planning we used a problem tree exercise to identify issues in our community/target beneficiary groups and prioritised these according to local knowledge,
available research etc. These priorities have followed through to our considerations on outputs and outcomes. Within each of these problem categories we have used discussions and consultation to specifically 'rank' the outcomes we would like to achieve and focus resources on.”

(Delivery Organisation)
Principle 4: Only include what is material

This principle requires an assessment of whether a person would make a different decision about the activity if a particular piece of information were excluded. This covers decisions about which stakeholders experience significant change, as well as the information about the outcomes. Deciding what is material requires reference to the organisation’s own policies, its peers, societal norms, and short-term financial impacts. External assurance becomes important in order to give those using the account comfort that material issues have been included.

Systems in place to decide which outcomes are material

On average 70% of all survey respondents stated that they have a way of deciding which outcomes are material.

![Determine materiality of outcomes](image)

Figure 6. Survey respondents who do and do not decide which outcomes are material

Advisors and Funders were highly likely to recommend to their clients and fundees the need for a way of determining which outcomes are material. Approximately half of all delivery organisations and academics admitting to not having a way of determining materiality.
When the survey asked for examples of how material outcomes were determined there were very few answers that showed a good understanding of the term materiality with very little attention given to the relevance and significance of outcomes. It seemed that the material outcomes are the intended outcomes or objectives. This is another area for further research.
Principle 5: Do Not Overclaim

This principle requires reference to trends and benchmarks to help assess the change caused by the activity, as opposed to other factors, and to take account of what would have happened anyway. It also requires consideration of the contribution of other people or organisations to the reported outcomes in order to match the contributions to the outcomes. Only claim the value that organisations are responsible for creating.

Deadweight?

On average 58% of those surveyed collect some information about what would happen to their stakeholders if their service did not exist. However, delivery organisations are the least likely to collect this information, with only 30% doing so, compared with an average of 65% of all other survey respondents. Assumptions about what would happen if their service did not exist are usually informed by interviews with stakeholders, case studies from similar service providers that have shut down and in a few instances comparison with similar groups or national data set.

Figure 7. Survey respondents on whether they account for deadweight
Attribution

On average 68% of respondents collect information about who or what else has contributed to their stakeholders’ experience. However, less than half of delivery organisations collect this information despite 80% of funders encouraging investees to do so.

Of the respondents who do collect information about who else is contributing, a clear majority of revealed that this had led to a partnership or collaboration. This shows the value of collecting this type of information.

Figure 8. Survey respondents who have collaborated with other providers
Principle 7: Verify the result

Although a social value analysis provides the opportunity for a more complete understanding of the value being created by an activity, it inevitably involves subjectivity. Appropriate independent assurance is required to help stakeholders assess whether or not the decisions made by an organisation were reasonable.

Verification of reports

Consultants are most likely to have their impact reports read or verified before publishing (70%), closely followed by academics (69%) and legislators (67%). The least likely to have their results verified are commissioners and delivery organisations, with only just over half requesting some sort of review (55%).

Who provides verification

When it comes to who people turn to for assurance, it is an almost equal split between internal critical friend, external peer review and an independent assurance body, however the latter is still the least used option with less than 1 in 4 taking advantage of this service (23%).

Figure 9: Types of verification used by respondents
NB: legislators removed from this because only 2 answered this question
Governance and Leadership

The survey did not ask any questions about Principle six Be transparent however we did ask about the role that boards play in bringing social impact information into the governance of their organisations.

Firstly, the survey asked respondents if they had a board (executive or non-executive) and if they did, whether they requested any information about social impact. Across all roles, a surprisingly high number did not request this information at all.

![Figure 10: Respondents that's boards request social impact information](image)

If we break the results down for delivery organisations only and analyse by sector it is interesting to see that in the private sector the percentage of boards requesting this information is higher than in the civil society and public sector (although these are smaller number of organisations so conclusions should be treated with caution).

![Figure 11: Delivery Organisations and their boards](image)
The survey also asked those with boards if any targets were set about social impact at board level. The results showed that this was very rare.

![Bar chart showing the percentage of boards setting targets about social impact](image1)

**Figure 12:** Do boards set targets based on social impact information?

Lastly, with this survey we were keen to learn what people were doing with the information they collect about social impact. We asked respondents whether they had used the social impact information to consider and also implement changes to their practices or procedures. The following table outlines the number of changes that were actually implemented on the back of social impact information.

![Bar chart showing the number of implemented changes from social impact information](image2)

**Figure 13:** Changes made based on social impact information

Only 10% of delivery organisations are making 3 or more changes on the basis of social impact information which points to a worrying trend of measuring but not using this
information to improve services. Further research could be carried out to look at what types of changes’ were made.
Conclusions and Recommendations

Whilst highlighting the progress made in the application of the Principles of Social Value, these results also reveal that there are some clear areas for improvement. Below we outline our four main conclusions and recommendations. We hope you will work with us to address some of these key issues and help more organisations to learn, improve and better serve the needs of their stakeholders.

1. Practical support for delivery organisations

The survey suggests that delivery organisations are finding it harder than others to implement the social value principles in their practice. We could surmise that delivery organisations might be the least equipped in terms of time, resource and capacity to fully implement the principles. However, we recommend that each National Network carry out further research to understand the causes and specific areas that require additional support.

SVI believe that further training and guidance could be developed focusing on the practical implementation of the principles for delivery organisations. This should make the point that the principles can and should be applied at different levels of rigour depending on the decision that the social impact information is informing.

2. Using impact information to maximise value

The survey suggests that even when impact information is being collected, it is not always being used to improve services and make better decisions. This further evidences the need to shift from just measuring for measuring's sake to maximising social value. If impact data is not being used to make services better, then it is not being utilised and capacity is being wasted. Impact information needs to be used for learning and improving service for stakeholders.

3. Verification increases credibility

Although over half of respondents answered that they have someone else read and verify their social value results, most organisations are not seeking independent, third party assurance. If external verification is not used then the confidence in the data is reduced and it becomes less credible and reliable for decision making. Including the
decision of whether to invest or not.

4. Impact information is a governance issue

The majority of respondents that have a board revealed that their board does not request impact information. Of those that do, less than a third use that information to set targets. Without targets on impact data it is difficult for an organisation to be aspirational about social impact or create a culture that strives to deliver the best services possible with the resources available. SVI believe that this culture is most successful when boards take a lead and actively place impact data at the heart of decision making; driving innovation and improving accountability to its stakeholders.