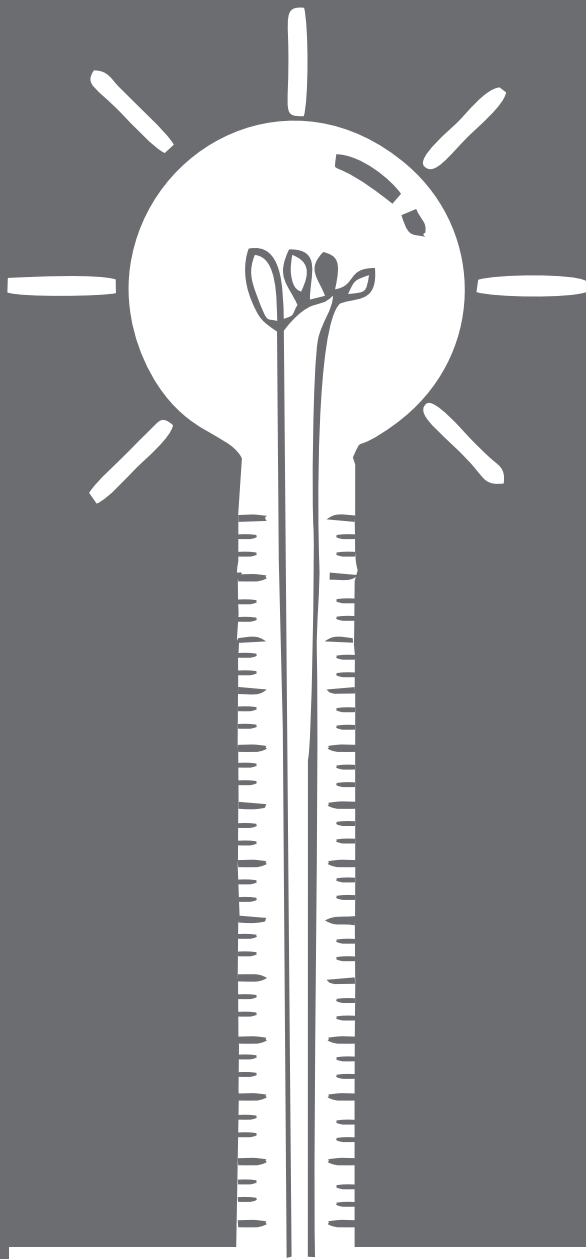




Measure impact through TARI's assessment model:
'Social Return on Investment'.



Why is CSR measurement important?

India is the first country to make CSR spending mandatory for companies. Companies Act 2013 says if your company's turnover exceeds ₹ 1000 crores or net worth exceeds ₹ 500 crores or net profit exceeds ₹ 5 crore you must spend at least 2% of net profit on CSR programs.

The money you spend has far-reaching social and environmental consequences. Each day, your actions create or destroy value: change the world for better or worse.

Often, the value of each CSR program is measured only in terms of financial outlay. But that's only scratching the surface.

Financial dimensions are useful, but they do not represent the most telling evaluation yardsticks. In order to know whether or not your program is working as you had envisaged it should, you must dig deeper.

You must be able to judge whether or not your program:

- Reduces socio-economic inequality and environmental degradation
- Improves well-being: Incorporates social, environmental and economic costs and benefits
- Fulfills its promise in every respect
- Slips up occasionally and needs corrective measures to plug loopholes and inaccuracies

What is 'Social Return on Investment'?

Social Return on Investment (SROI) is a global framework for measuring and accounting the impact of a program in ways that are relevant to the people who experience it or contribute to it. It tells the story of how change is being created by measuring social, environmental and economic outcomes in monetary value.

Developed from social accounting and cost-benefit analysis, SROI is based on seven principles:

- Involve stakeholders • Understand what changes • Value the things that matter • Only include what is material • Do not over-claim • Be transparent • Verify the result



Impact Assessment of CSR projects

The more accurately you measure, the greater impact your CSR project will have. It becomes imperative to monitor progress and estimate impact of investments in CSR for the benefit of each stakeholder.

We have adapted the global SROI methodology to Indian conditions to help:

- Facilitate discussions on strategic issues that can optimize social value
- Target appropriate resources and manage unexpected outcomes, both positive and negative
- Encourage collaborations with other organizations in order to bring about meaningful change
- Identify common ground between what you want to achieve and what your stakeholders expect
- Engage in a formal dialogue with stakeholders so that the service is held to account, from design to delivery

SROI Analysis

We have worked closely with large companies to assess the impact of their social and community projects. The assessment is analyzed under the VOIS (Values, Outputs and Impact on Stakeholders) methodology in which stakeholders are central to the process.

The exercise of impact assessment helps you focus on your commitments and delivery and makes sure the inclusiveness of your project is never compromised; and all your investments are appropriately placed.

Theory of Change: The basis of SROI

The theory of change is the central theme on which the SROI methodology rests. It presents a clear picture of important destinations and milestones in your CSR journey.

The main features of the theory are:

- An impact map depicting different stages of change as you travel towards your larger goal: the desired outcome
- The outcome of each stakeholder output
- Indicators for each level based on an understanding of what is being measured



Methodology - Social ROI

Impact Assessment, based on Social Return on Investment (SROI), the globally accepted framework, is a six-step process:

- 1) Establishing scope and identifying stakeholders
- 2) Mapping outputs: Developing an impact map showing the relationship between inputs, outcomes and outputs
- 3) Evidencing outputs and defining indicators and financial proxies to give them a value: Finding data to show whether outputs have happened
- 4) Establishing impact: Adjusting for external factors not ascribed to the entity
- 5) Calculating the SROI: Adding up values of all outputs and comparing with the total investment
- 6) Reporting and embedding: Communicating the findings; placing outputs on a sliding scale

SROI - Gap Analysis

SROI goes much beyond the SROI ratio, which is merely one figure giving an overall indication of the performance of the firm or entity. The final step in the SROI analysis gives an in-depth idea of the positive outcomes, challenges and limitations of the project.

A major benefit of SROI analysis is to identify the gaps in implementation of a project.

To measure this analytically, data collection of various indicators is also important. An evaluative SROI will ensure such a system is in place and tracking these parameters will refine the process of impact assessment by making it more credible and holistic.

SROI will help in bringing about more uniformity in the methodology of data collection and in a robust impact assessment of CSR projects.

Regular SROI Analysis will also help a project in the long run with the knowledge derived from the operational shortcomings and challenges faced by the project in the initial stages.

Stages in the SROI Framework

Stage - 1 Identifying the stakeholders

After the scope of the impact assessment analysis or the project to be assessed is established, the next step is to list all the stakeholders - people/ organization who experience change or affect the activity. Thereafter apply the materiality test to decide which stakeholders have experienced material change as a result of the activity.

Stage - 2 Mapping outcomes

This stage involves developing the impact map to determine the relationship between inputs, outcomes and outputs. It shows how the activities being analyzed use resources or inputs to deliver the activities or the outcomes that result in the outputs for each material stakeholder. In this way, it illustrates the theory of change or the story of how an activity or project makes a difference in the real world.

Stakeholder	Outcome	Outputs		
Stakeholder A	Outcome 1	Output 1	Output 2	Output 3

Stage - 3 Defining indicators and financial proxies

This stage is the most crucial step in the SROI analysis. It involves putting a value on the outcomes and outputs by finding evidence or data to see whether the outputs or outcomes have actually happened.

Stage - 4 Establishing impact

In this step, the impact values corresponding to each outcome/output is adjusted for the role of external factors not ascribed to the entity. Doing this is important as it helps in reducing the risk of over-claiming by removing the amount of effort that other entities are putting in.

Stage - 5 Calculating the SROI

After valuing all the outputs for each stakeholder, the cumulative sum of all the outputs gives the total impact value after adjusting for external factors. This is then compared with the total investment in the project. The ratio of these gives the SROI.

Stage - 6 Reporting and embedding

The final stage involves communicating the findings of the analysis, the SROI ratio and the impact values for each output, to place outputs on a sliding scale and understand the gaps in the project.



Case Study: Impact Assessment of HIV/STI Clinics



Background

A leading Indian corporate runs HIV/STI clinics for the trucking community as part of its CSR. TARI was commissioned to assess impact of the stakeholder oriented CSR initiative. Stakeholders included the trucking community, allied population and workers at the clinics.

Assessment

The Theory of Change was mapped by creating an Impact Map using tools of the SROI methodology:

Stakeholder	Outcome	Outputs			
Truckers	Better long term health, greater awareness leading to lower chances of contracting STI/HIV	Awareness of STI's and HIV	Treatment of diseases	Preventive intervention	Access to testing facilities
Allied (cleaners, mechanics, barbers, tea shop owners, etc., in transport hubs - peer educators are identified from within the allied group)	Increased awareness and sensitivity	Increased self-awareness among the peer group			
Workers at the Clinic (NGO/Company) - Outreach workers (ORW)	Opportunity for enhancement of skill sets and employment	Capacity building/training			
Company	Discharge responsibility as corporate citizen, ensure well-being of major stakeholders and enhance corporate reputation	Maintaining healthy consumer base (assuming consumer base of footfall at the clinic)	Contributing to National Health Programmes and MDG goals		

The defined outputs were then valued using appropriate financial proxies. The total impact was calculated after adjusting for effect of external factors which was used to estimate the Social Return on amount invested in the program.

SROI ratio for all the clinics was greater than 1. The social impact of the clinics exceeds the investment made by the corporate and hence the activity is worth pursuing in the following years. Major outputs that contribute to the impact: Over 40% preventive intervention; over 17% awareness of HIV/STI.

TARI identified certain gaps in the data collection process that should be bridged to get a more robust assessment of total impact in the future. Some areas which need more comprehensive tracking are: Trucker Mapping and Other Trucker Information, Condom Distribution Data, Regular Surveys to Assess Condom Usage, Patient Tracking System, Referral Tracking System.

About TARI

Thought Arbitrage Research Institute (TARI) is a not for profit multi-disciplinary research think tank, set up under section 25 of the Indian Companies Act, with 200+ person-years' experience in defining public policies and their implementation.

TARI's mandate is to develop intellectual capital for the country in the areas of corporate governance, sustainability, economics and public policy. Research in such areas today is usually funded by the government, bilateral agencies or foreign universities; there is very little privately funded research that puts forth an unbiased point of view of the business world.

TARI attempts to bridge this gap in the area of thought development. This research will help reduce the country risk and ultimately contribute to reducing the cost of capital for India as more business decisions will be based on researched facts rather than opinions.

Tomorrow's arbitrage will not be on labour, cost or capital – but on knowledge, ideas and thought. Countries that are at the forefront in these areas will control the course of global economic power.

TARI works with all stakeholders to leverage that thought arbitrage for the society and country.



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