

VALUE BASED MANAGEMENT IN SOCIAL ENTREPRENEURSHIP: METHODOLOGICAL AND PRACTICAL ISSUES OF APPLICATION OF THE SOCIAL RETURN ON INVESTMENT (SROI)

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Abstract

The aim of this article is to present issues related to the practical application of the method of social value measurement (Social Return on Investment - SROI) applied on a specific non-profit organization. The studied research question was what are key issues related to an application of the model of the SROI as well as its implementation at the non-profit organization "The Duke of Edinburgh's International Award, Czech Republic Foundation". Primary survey consisted of personal as well as telephone structured interviews, preparation and implementation of the questionnaire survey. Obtained quantitative and qualitative data obtained were analytically processed. The results were interpreted based on the theoretical knowledge and practical experience. Results and Discussion in this paper include new information obtained from the application of the SROI method, different options of using this method, its benefits, limitations and recommendations that social enterprises should consider before its application.

Keywords: social entrepreneurship, value based management, methods of measuring social impact, social return on investment.

Introduction

Social entrepreneurship and social enterprises are important components of value creation in national economies, especially in developed countries, but their importance has been growing also in less developed countries. The specific characteristic of these enterprises is that their main objective is not to make profit but to contribute to solving some social issues. Nevertheless, in recent years, mainly after the economic crisis, it has been discussed the necessity of more efficient and effective management and governance of these types of enterprises.

Profit generation of social enterprises is desirable, but it is not the primary aim. These companies prefer to develop their activities and / or increase the creation of social value. The social value is not a financial worth, but it is of significant importance for people in need.

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Suggested citation: PILKOVA, A. and MIKUS, J. (2016) Value based management in social entrepreneurship: methodological and practical issues of application of the social return on investment (SROI). *Comenius Management Review*. 10 (1). p. 5-21.

Social enterprises are trying to operate similar as commercial companies therefore they intend to make a profit, be sustainable and deliver financial gain to its stakeholders. They have to prove to those whom they report to (investors, sponsors, governmental agencies...) the correctness of decision making processes as far as their performance and efficiency reach is. Similar metrics and indicators are often used to those in commercial enterprises. However, the value they create is mostly non-financial one therefore traditional financial indicators cannot capture it. So there is firstly important an identification of indicators which should be applied that would be understood by their commercially oriented investors, secondly these indicators would be able to capture non-financial effects and finally the indicators would contain a financial element that is important for them in interaction outside of the third sector. There is neither theoretical or practical study nor verified methodology in Slovakia of the impact measurement of social enterprises although it is evident that the need for such metrics is essential due to the increasing activity in the field of social entrepreneurship.

Due to that our research question is what are key issues related to an application and implementation of the SROI methodology. We have studied it under conditions of the non-profit organization - The Duke of Edinburgh's International Award, Czech Republic Foundation.

1 The current status of Value Based Management in Social Entrepreneurship

Understanding the value based management in social entrepreneurship is closely related to the necessities and problems with measuring of social impact. The following sections of this article are dedicated to definitions of social entrepreneurship and value based management on which different issues are called upon.

1.1 Definition of social entrepreneurship

In the literature, there are different views and opinions on the definition of what is social entrepreneurship. There are at least three groups of different definitions. One group considers social entrepreneurship to be non-profit initiatives which use alternative financing strategies or management models of social value creation (Austin, Stevenson, Wei-Skiller, 2003; Boschee, 1998).

Social entrepreneurship creates innovative solutions to immediate social problems and mobilizes the ideas, capacities, resources, and social arrangements required for sustainable social transformation (Alvord, Brown and Letts, 2004).

A second group considers it to be socially responsible practice of commercially oriented businesses engaged in cross-sector partnership (Sagawa and Segal, 2000).

Social entrepreneurship solves a particular social problem and possibly make money in the process (Durieux and Stebbins, 2010).

Social entrepreneurship is defined as a professional, innovative and sustainable concept of systematic change that addresses the failure of the commercial market and build up on understanding of these opportunities (Birch and Whittam, 2006).

A third group sees social entrepreneurship as a business that alleviates social problems and promote social transformation (Alvord et al., 2004; Ashoka, 2000).

Social entrepreneurship is a multidimensional construct involving the expression of entrepreneurially virtuous behavior to achieve the social mission, a coherent unity of purpose and action in the face of moral complexity, the ability to recognize social value creating opportunities and key decision making characteristics of innovativeness, proactiveness and risk taking (Mort et al., 2002).

Commercial business includes identifying, evaluating and exploiting of opportunities. In this case an opportunity means the introduction of new products or services on the market so individuals or organizations are able to sell new production outputs at prices higher than their production costs. This definition implies that the core mission of business activities includes the creation of profit which helps entrepreneurs create personal wealth. Social entrepreneurship involves identifying, evaluating and exploiting the opportunities with the difference of leading to a social value creation. *Social value* is not related to profit, instead it includes meeting basic and long-term needs, such as providing food, water, shelter, education and medical services to members of society who are in need (Certo and Miller, 2008).

In recent years the interest in value based management of social entrepreneurship has been growing. Value is created and influenced by different factors in social enterprises opposed to commercially oriented enterprises and also different performance indicators are used.

1.2 Value based management in social enterprises

Value based management is a managerial approach that ensures that the companies are managed to constantly increase their value (Value Based Management.net, 2009).

Value is the amount of money that customers are willing to pay for products / services; value reflects the economic / social benefits related to costs.

Value based management is a philosophical concept rather than a technique, which is supposed to indicate to the management where, when and how the value of the company has been generated and lost (Kaushal and Bhargav, 2011).

It consists of three basic components:

- **Creating value** – mainly through strategy formulation.
- **Managing for value** – a management of an organization must be aligned with established strategic objectives (strategic management, change management, organizational structure and culture, systems, communication, performance measurement system, ...)
- **Measuring value** – „what you measure is what you get“. Special techniques are used based on what a company wants to achieve.

Value based management is focused on improving decision-making at all levels of the organization. Managers apply value based management metrics to help them make better decisions as they show them which aspects of the business to be focused on.

In order to manage the value of social enterprises, we must be able to measure it. Investors and managers of NGOs are the major promoters of social value measurement. Unfortunately, so far not even academics have agreed on how to accomplish this. The biggest obstacle is that the social value can not be viewed objectively, it is not firmly defined and the progress is not stable (Mulgan, 2010).

Demand for metrics to measure impact and outcomes of social enterprises are coming from all sectors: foundations want to direct its assistance to the most effective programs and projects; officials, politicians and government organizations need to verify their expenses; investors want data that are similar to profitability indicators used in commercial enterprises and non-profit organizations must show created impact to its sponsors, partners or any stakeholders. There are hundreds of ways to measure created social value that compete with each other (Mulgan, 2010).

1.3 Analysis of methods and tools used to measure social impact

Value based management methods are designed for both investors and social enterprises. The basic principle is that measuring impact should help organizations to manage their performance, promote the concept of learning while the process of measuring is taking place, improve their results and act responsibly to those who they seek to serve. Investors welcome concrete results, which is a challenge for social enterprises that seek to effectively measure their impact. The next section will analyze the most common methods of measuring social impact.

1.3.1 New Economic Foundation Methods

Methods and tools of "New Economic Foundation" are divided into three categories (Sanfilippo and Cooper, 2009):

- ***Social and environmental instruments and methods*** for measuring impact include:
 - AA 1000 Assurance Standard
 - Social return on investment – SROI
 - Social Accounting
 - Social Impact Measurement for Local Economies – SIMPLE
 - Local Multiplier 3 – LM3
- ***Methods that aim to improve the quality of social enterprises:***
 - Development Trusts Association – DTA
 - Eco-mapping
 - European Foundation for Quality Management - EFQM
 - Investors in People Standards
- ***Methods for effective social results planning:***
 - Third Sector Performance Dashboard
 - Volunteering Impact Assessment Toolkit
 - The EU Eco-Management and Audit Scheme – EMAS
 - Practical Quality Assurance System for Small Organisations – PQASSO

1.3.2 Foundation Center Methods

Foundation Center administers a database „TRASI“³, which contains nearly 200 methods, tools and approaches to measure social impact of different types of social enterprises, both charitable and non-profit organizations, or independent social investments. In this database it is possible to freely browse or use the search tool. Suitable methods and tools that comply with specified criteria are possible to view, a brief description is provided as well as links to additional resources.

Social return on investment (SROI) – is a methodology based on a measurement of results, that help organizations to understand and quantify the social, environmental and economic value they generate. SROI is a participative approach of measuring social value that is able to capture the monetised value of a wide range of outcomes whether these already have a financial value or not. SROI analysis produces a narrative of how an organization creates and destroys value in the process of making a change in society. The result is an indicator that states how much social value is being produced for every € 1 of investment (Sanfilippo and Cooper, 2009).

2 Research Methodology

We compiled an application model of SROI analysis based on the studied literature (Nicholls et al., 2011). Necessary data to carry out SROI analysis was collected through questionnaires (30 participants and 40 volunteers), telephone and personal structured interviews. The use of the questionnaire allowed us to identify the impacts of the selected company provided program on various stakeholders. The program participants were asked to identify the impacts of the program on themselves and volunteers identified impacts on themselves as well as on institutions they work for. Subsequently, during the analysis of the results, participants and volunteers were contacted and they participated in determining the impacts value. These results were also continuously consulted with the management of The Duke of Edinburgh International Award. Descriptive statistic methods were used when evaluating questionnaires, analysis and synthesis in formulating conclusions and recommendations.

Basic information on the company that had been examined:

- the name of the company is the The Duke of Edinburgh’s International Award, Czech Republic – DOFE,
- DOFE is a prestigious educational programme for young people aged 14 to 25 years enabling them to develop their skills and actively use their free time,
- the program is provided by schools and other organizations working with youth groups,
- DOFE operates in 140 countries and is recognized the most in the UK, where it was developed,
- DOFE Czech Republic was established in 2012, and currently employs seven internal and several external employees.

³ Tools and Resources for Assessing Social Impact

Calculation of the SROI indicator – it represents the ratio between the present value and the value of inputs.

$$\text{SROI} = \frac{\text{Present value of outcomes}}{\text{Value of inputs}} \quad \text{Net SROI} = \frac{\text{Net present value of outcomes}}{\text{Value of inputs}}$$

3. Results

SROI model implementation was studied through the following six steps:

- establishing scope and identifying stakeholders,
- mapping outcomes,
- evidencing outcomes and giving them a value,
- establishing impact,
- calculating the SROI,
- elaborating the final report.

3.1 Stage 1: Establishing Scope and Identifying Stakeholders

The aim of making this analysis is to become familiar with it and include it in the internal decision making of the company. It identifies activities of the provided program that brings the company DOFE most added value. The acquired information will provide a basis for the management enabling them to use it in the process of value based management of the company as well as to present the activities and their social impact to the Supervisory Board of the company, its donors and investors. We used publicly available information such as a balance sheet, an income statement and an annual report. Due to the limited capacity of the research, the scope of the analysis was focused on the main activity of the company and its provision of the program to young people. SROI analysis was prepared retrospectively for the year 2014. The outcomes of the analysis are an impact map, a calculation of the SROI indicator and a final report.

The first step in this stage is to identify stakeholders. A list of those who are included in the analysis and a justification:

- ***Participants of the program*** - developing new skills, independence and a sense of responsibility. The program increases their self-confidence and self-esteem, it helps them to find new interests, friends and opportunities. These factors also result in the improvement of social skills of participants, good feeling of achieving something positive and constructive. All successful participants are rewarded by an internationally recognized certificate.
- ***Participating schools and organizations*** - provide a training program that takes place outside the premises of schools and educational institutions and involve young people directly with their immediate surroundings. The provision of the program is a matter of prestige for educational institutions themselves and thus they are able to attract new students and funds. Young people are involved in a unique educational program, they gain new skills and work experience.

- **Community** - participants contribute by voluntary work which brings various benefits for the local community. The type of benefits depend on individual cases.
- **Volunteers** - are an important component of the program in its operation and support. Advantages for volunteers are new practical and ecological skills that lead to improved employability or other volunteer opportunities. The program provides them with the possibility to increase social interaction and thereby gain new friends and confidence in dealing with difficult situations.

Those parties that are not relevant for the analysis are excluded. Their impact can be negligible or can not be determined. *If we include all stakeholders, the analysis would be hardly feasible and its scope would be rampant.*

Stakeholders not included in the analysis:

- **Board members** - we have not identified any significant changes / impacts.
- **Staff** – possible to find an employment elsewhere and are not direct beneficiaries of the program.
- **Parents of participants** – are able to find other leisure activities for their children and are not directly affected by the program.
- **Local government** - reducing juvenile crime, improving educational attendance, health and general welfare, increased interest in civic life and environmental issues. These benefits are difficult to measure and we lack the data necessary for their quantification.
- **Partner organizations and sponsors** - the program has no direct impact on them and therefore they were excluded from the analysis.

Information necessary for the successful completion of the first stage are for illustration presented in the table 1. The complete table is available at **Annex 1**.

Table 1. Stakeholders

| Stakeholders | Positive / negative change | Included in the analysis? | Justification | Method of involvement | Number of respondents |
|---|--|---------------------------|-----------------------------|-------------------------------|-----------------------|
| Program participants | + development of skills, independence and a sense of responsibility, + increase confidence, + new friends, + development of communication skills | Yes | Target group of the program | Impact studies, questionnaire | 30 |
| Participating schools and organizations | + increased number of candidates, + providing activities outside the school premises, + providing new initiatives + improved reputation | Yes | Poviders of the program | Questionnaire | 40 |

Source: author's own processing

3.2 Stage 2: Mapping Outcomes

At this stage we formed an impact map representing an essential tool in this analysis and a main source for the final report. First of all we identified initial inputs, then outputs and at the end outcomes of the activities.

Identification of the inputs and their valuation - in this part we calculated each input, which the company used to provide the DOFE program. The selected inputs are as follows:

- The costs of DOFE in 2014 amounted to 2.657 million CZK incurred on the company operations, salaries payment, representation of the program and its expansion, fundraising events and support to participants.
- Non-financial input is also volunteering of leaders and trainers, who are mostly employees of local centers, and therefore this item is not being considered.
- The use of premises, cars and phones provided by the company OKIN Group, a.s. is also a non-financial input. According to internal sources this item is amounted to 200,000 CZK per year.

Over all the total inputs amount to 2.857 million CZK.

Clarifying outputs – outputs of the DOFE program are according to the Annual report 2014 as follows:

- 428 participants in the bronze level / 177 awarded, 170 silver level participants / 50 awarded and 141 participants of the gold level / 33 awarded,
- 74 local centers involved that provide the program,
- 21,000 volunteer hours throughout the local communities,
- 187 trained volunteers.

Outcomes of activities - they describe the change that has occurred due to the activity. These outcomes are determined based on a communication with the stakeholders.

Stakeholders included in the analysis stated the following outcomes of the DOFE program:

Program participants:

- finding new friends and getting to know new places,
- feeling motivated, active and doing pro-health activities,
- gaining awareness of available opportunities and the importance of being active in the community (importance of working for the good of society),
- building social skills, communicability, responsibility, creativity and cooperation.

Participating schools and organizations:

- increased activity and motivation of students, improved relationships,
- better awareness of the institution, prestige,
- improved cooperation and relations among teachers.

Community:

- The social value in the form of voluntary hours of work.

Volunteers:

- increased work motivation and satisfaction,
- possibilities of socializing with colleagues and meeting interesting people,
- spending time in a meaningful way and improving their qualifications,
- improving planning, communication and organizational skills,
- outdoor opportunities.

3.3 Stage 3: Evidencing Outcomes and Giving Them a Value

At this stage we assigned financial values to the outcomes of the program. ***Valuating the outcomes is the most important and the most difficult part of the analysis. There has to be an adequate way to transfer the social value of the outcomes into its financial values.***

The complete application of the stage 3 is contained in Annex 1. The illustration of this part of the application is done on one of the stakeholders - community (Table 2). As part of this program, participants carry out voluntary work. Described change is generally defined as "a social value in the form of voluntary hours of work." The indicator that quantifies the output is the number of hours of voluntary work. The extent of the output is an indication of the amount of worked hours, which we obtained from the Annual report DOFE 2014. The duration of the outcome is one year, since the community stops receiving benefits after that period. The category, „measurable indicator“ describes the process of quantifying the outcome's gross value. The last column is a source of information that informs us how to obtain the data necessary to perform the calculation. This process is repeated for all the outcomes that we have set in stage 2.

Table 2. Quantifying the outcome gross value of the stakeholder - Community

| Stakeholder | Outcomes | | | | | | | |
|-------------|---|---------------------------------------|-----------------------|----------------|----------|---|-----------------------|---|
| | Outcome | Indicator | Method of involvement | Outcome extent | Duration | Measurable indicator | Outcome (gross value) | Source of information |
| Community | A social value in the form of voluntary hours of work | The number of hours of voluntary work | Annual report 2014 | 21 000 hours | 1 year | The average salary in the age group 15-24 years in the Czech Republic = 108.95 *number of hours | 2 287 950 CZK | ŠR MPaSV ⁴ 2014 and Annual report DofE 2014 ⁵ |

Source: author's own processing

⁴ Ministerstvo práce a sociálních věcí CZ 2014 *Statistická ročenka z oblasti práce a sociálních věcí. Czech Republic* Republika, Praha, Tiskárna Bílý slon, S. 26-27 ISBN 978-80-7421-104-1

⁵ DOFE 2015 *Výroční zpráva roku 2014*. [online]. Available from: <<http://www.dofe.cz/upload/File/propagacni/dofe-vyrocní-zprava-2014-digital.pdf>>

3.4 Stage 4: Establishing Impact

This stage serves to enhance the credibility of the analysis because it determines the extent to which the result is actually caused by the given activity of the company. For this purpose there are given tools as deadweight, displacement, attribution and drop-off. All of them are expressed as a percentage of how they affect the result. After identifying all the variables we are able to calculate the net impact of the individual outcomes.

Deadweight – is a measure of the amount of outcome that would have happened even if the activity had not taken place. Specific estimates are included in the impact map (Annex 1) to which we have reached based on interviews with stakeholders and the national office of the DOFE. In this case, it would be best to collect specific data (using a feedback form) and to create statistics, which is not currently available. If the company DOFE decides to adopt the SROI analysis it is possible to obtain specific data that will enhance its overall credibility. In case of displacement and attribution, we did likewise. When determining values, we were rather skeptical so we would not get an exaggerated result. ***The fact that the specific values of these variables are not available, reduces the credibility of the analysis***, but companies that wish to apply this method in our conditions, need experience in its creation, and finding what types of data are required for its precise execution is a form of experience by itself.

Table 3 demonstrates the impact map. It is clear from the table that the net impact slightly differs from the gross impact and this is due to the fact that the variables attribution and displacement is 0%. The deadweight is 10% and that's because we assume that some of the participants would become volunteers also without participating in the program. In order for the variable to be more accurate we would need an answer of each participant if they would do a voluntary work without participating in the program. This way, we would obtain accurate information about the voluntary work deadweight. As we can see, obtaining these kind of information would be costly, but if the company DOFE has developed processes to collect and process these data, they would have an accurate understanding of their impact on local communities.

The impact that the program has on communities would occur by 10% even without its implementation and therefore it can not be counted. The variables appropriation and displacement work on the same principle. These are 0% in our case because we did not find out a participation of other activities carried out by any other organization and the volunteer activity does not displace effects of other organizations.

Table 3. Quantifying the outcome net value of the stakeholder - Community

| Stakeholder | Outcome (gross value) | Deadweight | Attribution | Displacement | Outcome (net value) | Drop-off |
|-------------|-----------------------|------------|-------------|--------------|---------------------|----------|
| Community | 2 287 950 CZK | 10% | 0% | 0% | 2 059 155 CZK | 100% |

Source: author's own processing

After a subtraction of the deadweight, attribution and displacement from the gross outcome we get a net outcome, we will continue to work with it in the next stage.

The drop-off variable is 100% since the effects of this activity are delivered only while the activity is ongoing. Upcoming years the activity has no effect on the community. If the

duration is longer than one year we work with the drop-off variable in the next stage when calculating the outcomes in the following years.

3.5 Stage 5: Calculating the SROI

The result in this stage is the SROI indicator, which is based on stages 1-4. Before computing it, we need to quantify the outcomes that occur past the first year or last for more than a year. The variable drop-off, determined in the previous stage is used and informs how much the outcome is going to change in subsequent years.

The duration of the outcome (see Table 4) is two years. However, the drop-off is 60% and hence the net outcome in year 1 is in year 2 decreased by this share. In the third year the outcome is not expected.

Table 4. Quantifying the net outcome for future years

| Stakeholder | Outcome | Duration (years) | Net outcome | Drop-off | Year 1 | Year 2 | Year 3 |
|---|---|------------------|-------------|----------|-------------|-------------|--------|
| Participating schools and organizations | Increased activity and motivation of students, improved relationships | 2 | 323 005 CZK | 60% | 323 005 CZK | 129 202 CZK | 0 CZK |

Source: author's own processing

The next step in the process of the analysis was the calculation of net outcomes for each year and discounting it to its present value. The discount rate is determined by the European committee and the inputs value was calculated in stage 2. From these data it is already possible to calculate the value of the SROI indicator. This indicator states that 1 CZK of investment produces 3,66 CZK of social outcomes. The whole calculation is presented in table 5.

Table 5 Calculation of the SROI indicator

| | Year 1 | Year 2 | Year 3 |
|---------------------|----------------|---------------|-------------|
| Net outcome | 7 878 655 CZK | 2 474 425 CZK | 806 270 CZK |
| Present value | 7 503 481 CZK | 2 244 377 CZK | 696 487 CZK |
| Discount rate | 5,0 % | | |
| Value of inputs | 2 857 000 CZK | | |
| Total present value | 10 444 345 CZK | | |
| Net present value | 7 587 345 CZK | | |
| SROI indicator | 3,66 | | |
| Net SROI indicator | 2,66 | | |

Source: author's own processing

Sensitivity analysis - considering that in the SROI analysis several stakeholders have been included, we can not use the recommended method of performing the sensitivity analysis, which is supposed to represent a change in the assumptions that the ratio of values between inputs and outcomes is 1:1. Partial values of the outcomes differ in assumptions of deadweight, attribution, displacement, financial projections, financial amount of outcome or assessment of non-financial inputs, but this change would have to affect several stakeholders and therefore the produced outcomes as well, so that the result of the SROI indicator would

change significantly. Hence, we can conclude that the analysis is not sensitive to changes in general because it captures a relatively wide range of outcomes.

Although the SROI analysis is not so "sensitive" for changes, it turned out that the biggest created social impact is in the form of voluntary hours work. This is directly affected by the number of program participants and the fact that they also engage in other outcomes calculations and indirectly affect the number of participating organizations and volunteers. It can be stated that the number of participants is "the most sensitive" variable in the analysis.

The second "most sensitive" variable are financial estimates. These are in the SROI analysis multiplied by a fairly large number of results (program participants, participating schools, organizations and volunteers) and thus even minor changes in the financial estimates significantly influence the SROI indicator.

3.6 Stage 6: Final Report

The Duke of Edinburgh's International Award is the world's leading youth achievement award dedicated to non-formal education of young people. It provides them with the opportunity to participate in a unique program that allows them to take part in sports activities, support local communities and experience adventurous expeditions. The program engages numbers of volunteers.

"I can participate in the program, which has an immense value for young people and society as a whole. Working with DOFE often gives me a feeling of fulfillment far more than traditional teaching, and I would welcome if it is attended by more and more young people to bring them to experiences and challenges they have in today's high-technological world. Through this program, I met many new people who share similar values and so it is easier to move forward together. I have also had the opportunity to attend many interesting courses and trips abroad." A volunteer DOFE

The DOFE program directly benefits four stakeholders who are participants of the program, volunteers, participating schools, organizations and local communities. The scope of the analysis has been limited to these four stakeholders who are the direct beneficiaries of the impacts. They have been involved in the analysis by interviews and questionnaires.

„I attended the Duke of Edinburgh's program while I was still in High School and it has been one of the most memorable experiences of my academic life. It showed me how to deal with certain problems and push myself to succeed in any given task. I enjoyed the benefits of participating in the expeditions that led me to get to know nature and experience being outdoors. It encouraged me to do social labour to help people in need, and it was a great experience overall, something that I still enjoy doing today. This is a program that should be mandatory for young people, as it will give them experience and knowledge that will benefit them in the future.“ Graduate of DOFE

Part of the final report is the impact map and the calculation of the SROI indicator, which are part of Annex 1.

The analysis showed that the SROI indicator is equal to 3,66. It means that 1 CZK produces 3.66 CZK of impacts. The discount rate is determined by the European Committee to be 5% (European Commission, 2014). The sensitivity analysis showed that the SROI

indicator is "the most sensitive" to the amount of outcome (number of participants, volunteers and participating schools and organizations) and then secondly to financial estimates. In Slovakia and the Czech Republic there is not significant experience with measuring the social value and databases of social impacts are not existing, as it is abroad and therefore the financial estimates in this paper are intuitive, since in our country there are no official benchmarks as there are for example in the UK.

The analysis has complied with the principles of good practice in SROI. The quality of input data as well as the overall process of creation was continuously consulted with the director and the manager of DOFE and with a graduate of all three levels of the program.

4 Discussion and Conclusion

The topic of social enterprises and their value based management is currently high on the agenda because its importance has been growing in our conditions. Social entrepreneurship plays an irreplaceable role in creating social change in society today. The concept of value based management has been put in practise to be able to capture created social impact, which is often not of a financial nature. To do so special metrics and tools are used. As it has been mentioned several times before in this paper, it is a challenging role for academics as well as social enterprises to capture the financial value of created social impacts.

We concluded that the greatest challenges and limitations that emerged from the analysis are: scope of the SROI analysis, non existing experience with valuating outcomes and obtaining specific values of the variables (deadweight, attribution, displacement and drop-off).

The biggest challenge of the SROI analysis is its scope. The greater the scope of the analysis the higher the demand on the quality of the collected data is and it exponentially increases the amount of outcomes on stakeholders. If we want to responsibly assess these outcomes, multiple smaller SROI analysis need to be applied. For example, for different regions of a country or different types of schools (impacts might be different in various regions as well as in various types of organizations involved such as different effects in private schools, vocational schools, orphanages etc.). Another issue which had occured is that more experience with performing the analysis is needed. In Western countries they have a long history with assessing social impacts and even databases exist, where various outcomes can be found and they are already assessed. In our conditions, this experience is still to be obtained. Obtaining specific values of variables is another open issue to be considered. The questionnaire survey is not the best form of obtaining data because there is no pressure on the respondent to take time and state real outcomes and information needed. Structured interviews would be better, but the respondent might be affected by the interrogating person, or not telling the truth. For example in juvenile detention facilities. As we see, there are manz open open issues in the SROI analysis and its quality depends on several factors. However, this creates place for another very useful research.

The biggest contribution of this paper is that it provides a methodological basis for social enterprises that are interested in managing their value and consider the use of the social return on investment (SROI). They can take into account the recommendations and

restrictions that result from this paper. However, the given scope of this paper is limited and more research is needed. This would provide answers to a number of open issues that occurred while making the practical work. This does not lessen the possibility of using the work results already obtained in the process of value based management in social entrepreneurship.

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Appendix 1: Impact map of stages 1-3, Part 1

| Social Return on Investment – Impact Map | | | | | | | | | |
|--|--|--|-------------------------------------|---|------------------|--|-----------------------|---|--|
| Organization | DoFE CZ | | | | | | Name | Juraj Mikuš | |
| Aims | To provide the DOFE program to as many young people as possible | | | | | | Date | April 2006 | |
| Scope | Activity | Supporting participants, organizing fundraising events, involving local centers, marketing and PR events | | | Activity aim | | Timeframe | 1 year (2014) | |
| | Support | Sponsors and donors DOFE | | | Analysis purpose | | Type | Evaluative SROI analysis | |
| Stage 1 | Stage 2 | Stage 3 | | | | | | | |
| Stakeholders | Description of outcome | Indicator | Method of involvement | Outcome extent | Duration (years) | Measurable indicator | Outcome (gross value) | Source of information | |
| Program participants | Finding new friends | Price of leisure activities | Questionnaire / personal interviews | 141 gold level participants, 170 silver and 428 bronze / duration: 3 months bronze, 6 months silver, 12 months gold | 1 | The average price of leisure activities = 300 CZK * number of candidates at various levels | 1 198 800 CZK | Comparison of membership fees (football, basketball, icehockey) | |
| | Feeling motivated, active and participate in pro-health activities | | | | | | | | |
| | Gaining awareness of available opportunities and the importance of being active in the community | Price of an educational advisor | Questionnaire / personal interviews | 141 gold level participants, 170 silver and 428 bronze / duration: 3 months bronze, 6 months silver, 12 months gold | 3 | The average price of university graduates wages = 252.6 CZK * (number of hours worked / 20) | 265 230 CZK | ŠR MPaSV 2014 | |
| | Building social skills, communicability, responsibility, creativity and cooperation | Price of an alternative to adventurous expedition | Questionnaire / personal interviews | 33 gold graduates, 50 silver graduates and 177 bronze graduates / duration: bronze 3d,2n; silver 5d,4n; gold 6d,5n | 3 | The average price of an adventurous expedition 1d,1n = 400 CZK * number of days and nights * number of participants | 287 600 CZK | Price comparison on available expeditions | |
| Participating schools and organizations | Increased activity and motivation of students, improved relationships | Price of an educational advisor | Questionnaire | 74 institutions | 2 | The average price of university graduates wages = 252.6 CZK * one session per week * number of weeks of a school year * number of participating institutions | 672 926 CZK | ŠR MPaSV 2014 | |
| | Better awareness of the institution, prestige | Price of alternative marketing and PR activities | Questionnaire | 74 institutions | 3 | Employee for 10h a week dedicated to marketing and PR * 36 weeks * number of institutions | 4 872 456 CZK | ŠR MPaSV 2014 | |
| | Improved cooperation and relations among teachers | Price of activities (teambuilding events) to improve employees relations | Questionnaire | 74 institutions | 3 | Price of a teambuilding event * number (every 8 weeks) | 370 000 CZK | The average amount given by asked institutions | |

Appendix 1: Impact map of stages 1-3, Part 2

| Social Return on Investment – Impact Map | | | | | | | | | |
|--|---|--|------------------------|------------------------|--|---|--|---|--|
| Organization | DofE CZ | | | | | | Name | Juraj Mikuš | |
| Aims | To provide the DOFE program to as many young people as possible | | | | | | Date | April 2006 | |
| Scope | Activity | Supporting participants, organizing fundraising events, involving local centers, marketing and PR events | | | Activity aim | | Timeframe | 1 year (2014) | |
| | Support | Sponsors and donors DOFE | | | Analysis purpose | | Type | Evaluative SROI analysis | |
| Stage 1 | Stage 2 | Stage 3 | | | | | | | |
| Stakeholders | Description of outcome | Indicator | Method of involvement | Outcome extent | Duration (years) | Measurable indicator | Outcome (gross value) | Source of information | |
| Community | The social value in the form of voluntary hours of work | Price of hours for voluntary work | | 21 000 hours | 1 | The average salary in the age group 15-24 years in the Czech Republic = 108.95 *number of hours | 2 287 950 CZK | ŠR MPaSV 2014 and Annual report DofE 2014 | |
| Volunteers | Increased work motivation and satisfaction | Price for a cooperation with psychologists | Questionnaire | 187 volunteers trained | 2 | The average price of university graduates wages = 252.6 CZK * number of weeks * number of participats | 1 700 503 CZK | ŠR MPaSV 2014 | |
| | Possibilities of socializing with colleagues and meeting interesting people | Price of trainings for employees | Questionnaire | 187 volunteers trained | 3 | Average price of a course * number of training participants * number of training sessions (every 8 weeks) | 1 496 000 CZK | Prices comparison of available Educational Training | |
| | Spending time in a meaningful way and improving qualifications | | | | | | | | |
| | Improving planning, communication and organizational skills | | | | | | | | |
| Outdoor opportunities | Price of an alternative to adventurous expedition | Questionnaire | 187 volunteers trained | 1 | The average duration of an activity * price of the activity * number of participants | 448 800 CZK | Prices comparison on available expeditions | | |

Appendix 1: Impact map of stages 4-5

| Social Return on Investment – Impact Map | | | | | | | | |
|--|---|--|--------------|----------------------------|------------------|----------------|--------------|-----------------|
| Organization | DofE CZ | | | | | Name | Juraj Mikuš | |
| Aims | To provide the DOFE program to as many young people as possible | | | | | Date | April 2006 | |
| Scope | Activity | Supporting participants, organizing fundraising events, involving local centers, marketing and PR events | | | Activity aim | | Timeframe | 1 year (2014) |
| | Support | Sponsors and donors DOFE | | | Analysis purpose | | Type | Evaluative SROI |
| Stage 4 | | | | | Stage 5 | | | |
| Description of outcome | Deadweight | Attribution | Displacement | Outcome (net value in CZK) | Drop-off | Year 1 (CZK) | Year 2 (CZK) | Year 3 (CZK) |
| Finding new friends | 50% | 50% | 0% | 299 700 | 0% | 299 700 | 0 | 0 |
| Feeling motivated, active and participate in pro-health activities | | | | | | | | |
| Gaining awareness of available opportunities and the importance of being active in the community | 20% | 10% | 0% | 190 966 | 50% | 190 966 | 95 483 | 47 741 |
| Building social skills, communicability, responsibility, creativity and cooperation | 30% | 20% | 0% | 161 056 | 40% | 161 056 | 96 634 | 57 980 |
| Increased activity and motivation of students, improved relationships | 40% | 20% | 0% | 323 005 | 60% | 323 005 | 129 202 | 0 |
| Better awareness of the institution, prestige | 40% | 30% | 0% | 2 046 432 | 50% | 2 046 432 | 1 023 216 | 511 608 |
| Improved cooperation and relations among teachers | 30% | 30% | 0% | 181 300 | 50% | 181 300 | 90 650 | 45 325 |
| The social value in the form of voluntary hours of work | 10% | 0% | 0% | 2 059 155 | 0% | 2 059 155 | 0 | 0 |
| Increased work motivation and satisfaction | 20% | 0% | 0% | 1 360 403 | 50% | 1 360 403 | 680 201 | 0 |
| Possibilities of socializing with colleagues and meeting interesting people | 40% | 0% | 0% | 897 600 | 60% | 897 600 | 359 040 | 143 616 |
| Spending time in a meaningful way and improving qualifications | 20% | 0% | 0% | 359 040 | 0% | 359 040 | 0 | 0 |
| Improving planning, communication and organizational skills | | | | | | | | |
| Outdoor opportunities | | | | | | | | |
| Net outcome | | | | | | 7 878 655 | 2 474 425 | 806 270 |
| Present value | | | | | | 7 503 481 | 2 244 377 | 696 487 |
| Discount rate | | | | | | 5,0 % | | |
| Value of inputs | | | | | | 2 857 000 CZK | | |
| Total present value | | | | | | 10 444 345 CZK | | |
| Net present value | | | | | | 7 587 345 CZK | | |
| SROI indicator | | | | | | 3,66 | | |
| Net SROI indicator | | | | | | 2,66 | | |