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SROI as a Method for Evaluation Research: Understanding Merits and Limitations

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Abstract NPOs and their funders are increasingly drawn to the Social Return on Investment (SROI) method to evaluate the social impact of programs, organizations, or organization networks. While many claims about the benefits of SROI have been expressed, various points of criticism have also been raised. On the basis of both current research and our own experience in conducting SROI analyses, we develop a comprehensive assessment of this method, which is structured along two dimensions: the observer's paradigmatic perspective, on the one hand, and positive or negative valuation, on the other. We identify two major merits: SROI analysis can provide legitimacy to NPOs or their funders, and it can assist in allocating resources efficiently and effectively. We identify limitations from three perspectives: From an interpretative-sociological perspective, criticism of commensuration and utilitarianism calls the method as a whole into question. From a technical-instrumental perspective, there are a number of difficulties that could, however, be overcome as the method matures. From an intermediary perspective, a number of limitations become apparent that, while inherent to SROI analysis, are no reason for abandoning it, as long as they are thoroughly understood. We conclude by providing suggestions for the responsible use of SROI analysis.

Résumé Les associations à but non lucratif et leurs bailleurs de fonds ont de plus en plus recours à la méthode du retour social sur investissement (SROI) pour

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évaluer l'impact social de programmes, d'organisations ou de réseaux d'organisations. Si les avantages de cette méthode ont maintes fois été exprimés, elle soulève aussi diverses critiques. À partir de l'état actuel de la recherche et de notre propre expérience de la conduite d'analyses de SROI, nous développons une évaluation complète de cette méthode, structurée selon deux dimensions : la perspective paradigmatique de l'observateur d'une part, et la valorisation positive ou négative d'autre part. Nous identifions deux mérites majeurs : l'analyse SROI peut donner une légitimité aux associations à but non lucratif ou à leurs bailleurs de fonds, et elle peut contribuer à allouer les ressources de manière efficace et efficiente. Nous identifions ses limites selon trois axes : du point de vue interprétatif-sociologique, la critique de la commensuration et de l'utilitarisme remet l'ensemble de la méthode en question. Du point de vue technique-instrumental, il existe un certain nombre de difficultés qui pourraient toutefois être surmontées avec la maturation de la méthode. D'un point de vue intermédiaire, un certain nombre de limites deviennent apparentes qui, bien qu'inhérentes à l'analyse SROI, ne constituent pas une raison suffisante pour l'abandonner tant qu'elles sont parfaitement appréhendées. Nous concluons en formulant des propositions pour l'utilisation responsable de l'analyse SROI.

Zusammenfassung Gemeinnützige Organisationen und ihre Geldgeber greifen zunehmend auf die Methode der SROI-Analyse (Social Return on Investment) zurück, um die sozialen Auswirkungen von Programmen, Organisationen oder Organisationsnetzwerken zu bewerten. Die Vorteile der SROI-Analyse werden häufig herausgestellt; doch werden auch diverse Kritikpunkte aufgeworfen. Beruhend auf gegenwärtigen Forschungen und unserer eigenen Erfahrung mit der Durchführung von SROI-Analysen entwickeln wir eine umfassende Bewertung dieser Methode, die sich an zwei Dimensionen orientiert: zum einen an der paradigmatischen Perspektive des Beobachters und zum anderen an der positiven oder negativen Bewertung. Wir identifizieren zwei wesentliche Nutzen der SROI-Analyse: Eine SROI-Analyse kann Legitimität für die gemeinnützigen Organisationen oder ihre Geldgeber schaffen und kann bei der effizienten und effektiven Zuteilung von Ressourcen behilflich sein. Wir identifizieren Grenzen der SROI-Analyse aus drei Perspektiven: Aus der interpretativ-soziologischen Perspektive wird die Methode durch die Kritik an der Kommensuration und am Utilitarismus insgesamt in Frage gestellt. Aus der technisch-instrumentalen Perspektive betrachtet gibt es eine Reihe von Schwierigkeiten, die jedoch mit der Ausreifung der Methode überwunden werden können. Die intermediäre Perspektive stellt eine Reihe von Beschränkungen heraus, die zwar mit einer SROI-Analyse einhergehen, die jedoch kein Grund dafür sind, diese Methode nicht anzuwenden, solange die Beschänkungen genau verstanden werden. Zum Abschluss unseres Beitrags unterbreiten wir Vorschläge für die verantwortungsvolle Anwendung einer SROI-Analyse.

Resumen Las organizaciones sin ánimo de lucro (NPO) y sus fundadores se ven arrastrados cada vez más al método de Retorno Social de la Inversión (SROI, del inglés Social Return on Investment) para evaluar el impacto social de los programas, las organizaciones y las redes de organizaciones. Aunque se han manifestado muchas afirmaciones sobre los beneficios del SROI, también se han planteado varios puntos críticos. En base tanto a la investigación actual como a nuestra propia experiencia en la realización de análisis SROI, desarrollamos una evaluación integral de este método, que se estructura a lo largo de dos dimensiones: la perspectiva paradigmática del observador, por un lado, y la valoración positiva o negativa, por otro. Identificamos dos méritos de importancia: El análisis SROI puede proporcionar legitimidad a las NPO o a sus fundadores, y puede ayudar a asignar los recursos de manera eficiente y efectiva. Identificamos limitaciones a partir de tres perspectivas: Desde una perspectiva sociológica interpretativa, la crítica de la conmensuración y el utilitarismo pone en cuestión el método como un todo. Desde una perspectiva instrumental técnica, existen una serie de dificultades que podrían ser superadas, no obstante, a medida que madura el método. Desde una perspectiva intermedia, resultan aparentes una serie de limitaciones que, aunque inherentes al análisis SROI, no son motivo para abandonarlo, siempre que se comprendan en su totalidad. Concluimos proporcionando sugerencias para el uso responsable del análisis SROI.

Keywords SROI analysis · Evaluation · Methodology · Impact measurement · Social impact · Social · Return on investment

The question of how to advance the common good is increasingly seen as a matter of finding out and implementing "what works" rather than of following ideologies. Among NPOs and government institutions that consider themselves cutting edge, the formulation of explicit theories of change (see, for example, Fulbright-Anderson and Auspos 2006) as well as the regular development of evidence-based policies (Pawson 2006: vii) is expected. In managing performance, the focus has clearly shifted from inputs and outputs to impacts and public value (Barman 2007; Lynch-Cerullo and Cooney 2011; Moore 2013). On the one hand, these developments are to be welcomed as progress towards more open-mindedness and discursive rationality. On the other hand, the ideology of anti-ideology comes with its own trappings. The old quip that "[p]ractical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist" (Keynes 1965:383) still applies. The present article contributes to a deeper understanding of this dilemma by focusing on a particular method that is widely used in the search for impact and evidence: the analysis of Social Return on Investment (SROI). It was the aim of this paper to contribute to a balanced and comprehensive understanding of its merits and limitations.

Out of more than 40 approaches that have been developed for measuring social impact (Stevenson et al. 2010), SROI analysis is one of the most widespread. It is a mixed method approach to assess the social, economic, and environmental impact of interventions. Its most prominent feature is the SROI ratio. This ratio aims to determine how many Dollars/Euros/… worth of social value are created for one Dollar/Euro/… invested in a particular intervention (Kara 2013:22–24). This metric is both the biggest allure of SROI analysis as well as its danger.

The very nature of SROI analysis is a controversial issue. Some see it as a tool for social accounting and performance measurement (e.g. Daigle et al. 2004; Flockhart 2005; Millar and Hall 2013), which belongs to the same family of management tools as balanced scorecards and the like (Chmelik 2012:25–28); others see it as method of evaluation research (e.g. Hall 2014; Kara 2013). In this paper, we adopt the latter view, because the intricate choices that SROI analysts need to make and the complex criteria involved in judging a SROI report carry more characteristics of social science research than of business accounting.

Most literature on SROI analysis illuminates the method from one specific perspective only. On the one side, there is—mostly grey—literature, authored by think tanks, government agencies, funders, and consultancies, that focuses on the practicalities of how to carry out SROI analyses (e.g. Lingane and Olsen 2004; Nicholls et al. 2012). This literature looks at SROI analysis from a technical-instrumental perspective and sees it as a tool for improving resource allocation and increasing social impact. On the other side, a more interpretative literature has emerged, which is acutely aware of SROI as a legitimating practice in a field exposed to competing institutional logics (Arvidson and Lyon 2014; Ebrahim and Rangan 2010; Hall 2014; Manetti 2014) and of problematic issues of power and mission drift that come with it.

Pioneering steps towards developing a comprehensive understanding of SROI have been made by authors such as Emerson et al. (2000), Arvidson et al. (2010), and Manetti (2014). The present analysis takes this work further by developing a two-dimensional framework that enables the conceptualization of merits and limitations and takes the observer's paradigmatic perspective into account. We also discuss implications for the responsible and meaningful use of SROI analysis as well as making suggestions regarding the further development of this method. As the basis for our analysis, we use a two-pronged approach: we review the literature and reflect on our own experience as SROI analysts.

Establishing the Basis for Assessing SROI Analysis: Literature and Research Experience

We started by embarking on a two-step review of literature on SROI analysis: First, we conducted a search in the ISI Web of Knowledge and EBSCO databases as well as in the "Global", "Trade & Industry", and "ProQuest Sociology Collection" databases of ABI/INFORM. We searched for all academic journal articles that had been published by March 2013 and contained the terms "SROI" or "social return". In a second step, we searched for grey literature on google.scholar.com and followed up on citations. The result was a list of 421 potentially relevant publications (http://epub.wu.ac.at/id/eprint/4287). All the references were imported into reference management software, tentatively sorted into thematic groups, and scanned for text passages referring to merits and limitations of SROI analysis. Summaries of relevant passages or, in the case of short passages, verbatim citations were then transferred into a program for generating mind maps.

The second basis of our analysis of the SROI method was the practical experience with SROI analysis made by the second author of this paper. Working at an institute for applied research on non-profit organizations, Christian Schober had been actively involved in conducting ten SROI studies of varying sizes and degrees of complexity since 2009 (see Table 1).

All authors collaborated in condensing and arranging excerpts from the literature. Attempts were made to identify diverging views until a preliminary framework of merit and limitation categories had emerged. We then took these categories and applied them to systematically assess the ten SROI analyses that the second author had been involved in by asking ourselves: how did the respective merit or limitation manifest itself in this particular case? This assessment was done in the form of two structured face-to-face meetings between the authors and an additional SROI analyst from our institution, in which we went through all the categories and debated what had happened with respect to them in each single case (see Tables 2, 3). On the basis of this assessment, we searched for patterns across cases and made some adjustments to the initial framework. The resulting two-dimensional framework of merits and limitations of SROI analyses will be presented in the following section.

Merits and Limitations of SROI Analysis: A Conceptual Framework

We systematize merits and limitations of SROI analyses in a two-dimensional matrix, as shown in Fig. 1. The *y*-axis depicts the circumstance that various characteristics and issues associated with SROI analysis can be interpreted as either positive or negative, with considerable room for diverging interpretations. The *x*-axis delineates that particular views on merits and limitations tend to be associated with the observer taking on a rather technical-instrumental or an interpretative-sociological perspective.

Many of the merits and limitations apply simultaneously to a particular SROI analysis. Merits of SROI analysis are positive effects that may materialize to a greater or lesser extent in a particular case. Limitations of SROI analysis are characteristics of the method. Some of them—the ones we characterize as "fundamental controversies" and "inherent but not prohibitive limitations"—are inherent to the method. In the following sections, we shall examine those views more closely.

The Merits of SROI Analysis

SROI analysis is said to have many beneficial effects. We may summarize them as enabling legitimation and more efficient and effective resource allocation (see Table 2). Both effects are major reasons why actors engage in SROI analysis (Millar and Hall 2013). To what extent and under what conditions these effects actually materialize, however, has hardly been examined empirically.

Table 1 Case overview

Type of evaluated NPO or program	Report	Contracting entity	Total SROI	Time of the study
Home care services	(Schober et al. 2012)	NPO (umbrella association)	3.70	2012
Debt counselling	(More-Hollerweger et al. 2013)	NPO (umbrella association)	5.30	2012–2013
Fire brigades	(Schober et al. 2012)	NPO (umbrella association)	10.20	2011–2012
Assisted living	(Pervan-Al Soqauer et al. 2013)	NPO (independent organization)	2.26	2012–2013
Anonymous NPO program	Not publicly available	Funder (government institution)	Not publicly available	2010
Support for street children in Romania	(Rauscher et al. 2011)	Funder (independent philanthropist)	3.47	2010–2011
Upcycling social enterprise	(Schober and Rauscher 2011)	Funder (corporate philanthropist)	0.97	2009–2011
Support for victims of women trafficking	Pervan-Al Soqauer et al. 2013)	Funder (corporate philanthropist)	2.44	2012–2013
Firewood social enterprise	(Rauscher and Sprajcer 2012)	Funder (corporate philanthropist)	0.98	2011–2012
Housing support	(Rauscher and Pervan-Al Soqauer 2012)	Funder (corporate philanthropist)	4.41	2011–2012

Table 2 Case assessment with regard to merits

Case	Merits		
	Enable efficient and effective resource allocation		Legitimate
	From funder's perspective	From NPO's perspective	
Home care services	○	●●	●●
Debt counselling	○	●●	●●
Fire brigades	○	●	●●
Assisted living	○	●●	●●
Anonymous NPO program	○	●●	○
Support for street children in Romania	●	●	●●
Upcycling social enterprise	●	●●	●●
Support for victims of women trafficking	●	●●	●●
Firewood social enterprise	●	●	●●
Housing support	●	●	●●

(○…was not the case; ●… was somewhat the case; ●●… was very much the case)

Legitimation

Probably the most widely acknowledged quality of SROI is its effectiveness as a communication tool. Existing literature emphasizes the function of SROI analysis as a legitimation for NPOs. From our own experience, we may add that legitimation effects can also occur for funders.

In line with our experience, available evidence suggests that most SROI analyses are conducted at least partly for the purpose of exhibiting "business-like" legitimacy (Arvidson et al. 2010:15). They are means of communicating not just NPOs' outputs, but also their impacts. This parallels current trends in public management that steer towards desired results rather than inputs, processes or outputs.

The legitimating qualities of SROI can either be regarded as a merit (Antonaras et al. 2011; Arvidson et al. 2010; Mook et al. 2003) or viewed critically, as contributing only to symbolic legitimacy while not communicating information of substance. Such a critical view is expressed, for example, by Luke et al. (2013), who raise the question whether SROI analysis "is more about measuring value or merely valuing measures". Fact is that SROI reduces complexity by boiling the difficult task of communicating value down to one figure. This figure can be used as a tool to shape public opinion on distributive justice (e.g. Lawlor et al. 2009) or to legitimize NPOs by communicating their impact to audiences less receptive to qualitative evidence. The strong stakeholder orientation of SROI analysis is probably also conductive to legitimation (c.f. Balser and McClusky 2005).

In view of its legitimating qualities, it is no surprise that SROI analysis is often believed to secure funding by increasing funder confidence. However, the power of SROI to attract funding must not be overestimated. A survey among social

Table 3 Case assessment with regard to limitations

Case	Limitations								
	Fundamental controversies	Inherent but not prohibitive limitations				Solvable technical difficulties			
		Necessity to complement with other information	Limits to comparability	Need for discretion	Resource needs (ca. workdays)	Causality	Temporality	Standardization	Quality assurance
Home care services	○	●●	●●	●	120	●	○	●	●
Debt counselling	○	●	●●	●	120	●	●	●	●
Fire brigades	●	●	●●	●	130	●	○	●	●
Assisted living	○	●	●●	●	85	●	●	●	●
Anonymous NPO program	●	●	●●	●	90	●	●	●●	●
Support for street children in Romania	●	●	●●	●●	70	●	●	●●	●
Upcycling social enterprise	○	●	●	●●	45	●	○	●●	●
Support for victims of women trafficking	○	●	●	●●	45	●	●	●	●
Firewood social enterprise	○	●	●	●●	45	●	○	●	●
Housing support	○	●	●	●●	45	●	●	●	●

(○…was not a topic; ●… was somewhat a topic; ●●… was very much a topic)

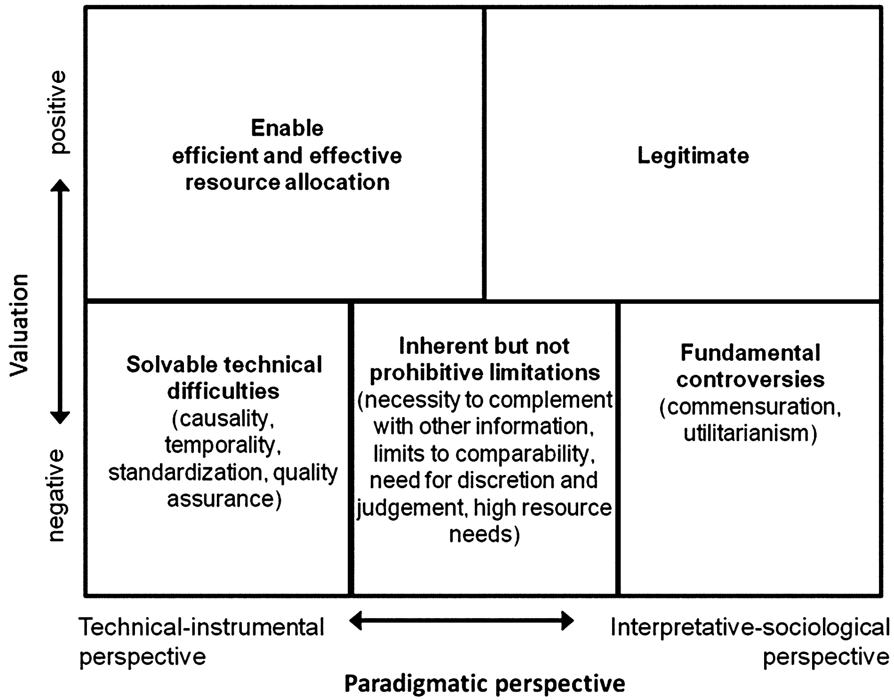

Fig. 1 A systematisation of merits and limitations of SROI

enterprises in the UK shows that the majority of organizations find that providing SROI data does not help them to secure new government contracts (Millar and Hall 2013:13). In our SROI analyses, there was not a single case in which the analysis served as the direct basis for granting the NPO additional funding, but there are indications that it helped to prevent funding cuts and perhaps raise additional funding in the long run.

A legitimation effect for NPOs was always evident in those cases where NPOs themselves had commissioned the evaluation. The case of Upper-Austrian volunteer fire brigades is exemplary: Shortly before being scrutinized by the Austrian Court of Audit, the fire brigades commissioned the accurately timed analysis. When the auditors came and complained about high costs here and there, the fire fighters gave them a lecture about the importance of not looking at inputs and outputs but at impacts and handed them the SROI report that indicated a social return of 1,020 %. The auditors were rather satisfied and even became interested in this novel evaluation method.

Also funders could reap legitimation benefits when they commissioned SROI analyses. In our work, we witnessed legitimation effects in the case of private philanthropists, but not in that of government institutions. Four of our analyses were commissioned by a social entrepreneurship award that was funded by a large corporation as part of its CSR strategy. The CSR manager of this company was eager to have the winning projects evaluated by a method that produced seemingly comparable numbers and that was understandable to managers at the headquarters. The corporation accepted minimal or negative SROIs in some cases, as long as most projects were successful and proper venture philanthropic procedures were applied. Another study was commissioned by a private foundation that used its own money. Attracting funds was not an issue here, but legitimation was welcome because the foundation was part of the world of venture philanthropy. Doing SROI analyses and attaining a great SROI figure enabled the founders and their staff to converse on par with their international counterparts.

In one case, a SROI analysis was commissioned by a government institution, which funded an NPO program. One motive was to obtain an argument for funds dedicated to this purpose to remain within its budgeting responsibility. This legitimation plan, however, did not work out: Although the analysis resulted in a positive SROI figure, it was nowhere as self-evidently high as, for example, the SROI of the fire brigades. Benchmark studies for comparison with alternative arrangements were not available. The commissioning institution therefore felt that opponents might regard the figure as too low and therefore decided not to use it in negotiations. Unlike in the context of philanthropy, the mere fact of having commissioned a SROI analysis did not provide the institution with an aura of competency.

Enabling Efficient and Effective Resource Allocation

The second major benefit that is often attributed to SROI analysis is that of enabling rational resource allocation by providing information. It is assumed that this helps funders and NPOs in their decision-making process, thereby increasing overall societal welfare. This idea is rooted in economic theory, where the social return of an investment is defined as the internal return in addition to all positive and negative externalities of that investment (e.g. Canton 2009:80). This is an abstract theoretical concept, akin to a "theory of everything", which captures an intervention's full range of impacts.

In recent years, however, expectations concerning the rationality-enhancing potential of SROI have been tempered to some degree. The reason may be that, as methods of SROI analysis have matured somewhat, it has become clear that the SROI ratio produced through SROI analysis inevitably falls short of its abstract theoretical concept. SROI analysts try to translate the abstract concept into concrete data. In this process, deviations from the ideal are unavoidable. The SROI ratio aims to measure the social, environmental, and economic impact of an intervention in relation to its costs, but how closely the figure reaches this aim depends on technical possibilities and practical considerations such as the purpose of the evaluation and the available budget.

This implies that for funders a SROI figure cannot, by itself, tell whether a particular project or organization would be a rewarding social investment. Rationality-enhancing benefits of SROI analysis can therefore not lie in the SROI ratio itself, but in other aspects. The process of SROI analysis may have the benefit of forcing NPOs to clarify their goals and to be explicit about assumptions, timeframes, capital requirements, risks, and limitations, thus enabling more transparent and accountable decisions. Another benefit of SROI analysis may be that it shifts attention from outputs to impacts and thus to affecting positive change. For example, normally, an NPO's mission will not be to provide several thousand hours of consultation, but to improve people's lives.

In our SROI analyses, enabling funders to make more efficient and effective resource allocations was of relatively low importance. In case of the analysis being commissioned by a government institution as part of a budgeting tug-of-war, the prevailing rationality was not impact investment but budget defence. In case of NPOs commissioning SROI analyses as a pre-emptive strike to stave off funding cuts, their intention was to prove that they were an excellent investment option.

If effects of improved allocation materialized, it was probably in the case of the venture philanthropists. Here, although all evaluations were conducted ex post and did not effect further funding, actors benefitted from their in-depth engagement with SROI. In the case of the social entrepreneurship award, long-term jury members were able to develop heuristics as to what distinguished projects that are likely to succeed from those that are likely to fail.

Concerning the potential benefit of making resource allocations within a particular NPO more efficient and effective, we must bear in mind the tension that exists between evaluations for internal and external accountability purposes (Christensen and Ebrahim 2006), i.e. learning from past failures versus hiding them from external audiences (Ebrahim 2005:75). With its concise presentation of results for invested money, the main strength of the SROI method is external accountability. It contains elements that help NPOs with rational decision-making, such as stakeholder analysis, impact chain analysis, and cost accounting. However, the full package of SROI analysis is usually too costly and complicated to be used as an efficient and reasonably fast Management Information System (cf. Ebrahim and Rangan 2010).

Our own experience is that, due to high costs, SROI is not the best choice if the main intention is organizational learning, but that it can trigger a learning process on part of NPOs, especially through group discussions about impact value chains and stakeholder perspectives. Hardly any learning occurred within NPOs that only passively endured the evaluations.

In terms of learning contents, NPOs learned much about their value creation processes and about dimensionalities (i.e. what makes a large difference and what does not). For larger NPOs, the analyses also provided an impulse to make their accounting systems more impact oriented. Some NPOs mainly picked up rhetorical tricks of impact communication and learned to present themselves better.

In terms of merits, we may therefore conclude that the main strength of SROI analysis is to provide "business-like" legitimacy. More rational resource allocation can be a welcome side effect of SROI evaluations. If it is the main purpose, however, methods that are less resource-intensive and more geared towards instigating action are probably a wiser choice (cf. Luke et al. 2013). This leads us to our discussion of limitations of SROI analysis.

Limitations of SROI Analysis

Any discussion of limitations of SROI analysis needs to be put into context: Firstly, most difficulties or points of criticism also apply to other methods of social impact measurement or accounting. Secondly, many tensions emerge out of a gap between ideal and practice. In this regard, SROI analysis leaves ample room for misunderstandings regarding the interpretation and use of the SROI ratio (Arvidson et al. 2010:14 and 9). Bearing that in mind, we may identify three groups of limitations in connection with SROI analysis (see Table 3): firstly, there are certain fundamental and irresolvable issues that have the potential to call the method as a whole into question. Secondly, there are some issues that are also irresolvable, but that do not preclude using the method, as long as they are understood and knowingly taken into account. Thirdly, there are a number of technical issues that might be remedied as the method matures.

Fundamental Controversies

In the literature, there is hardly any fundamental criticism of SROI analysis. The two major areas of fundamental criticism can be summarized as criticism of utilitarianism and criticism of commensuration.

SROI analysis is clearly indebted to the utilitarian idea that the proper course of action is the one that maximizes utility. This approach to ethics can be criticized from numerous perspectives, e.g. from a Kantian perspective, which suggests that it is not the consequences of an action that make it right or wrong, but the motives of the person carrying out the action (Mildenberger and Münscher 2009:6), or from a Christian viewpoint according to which part of the beauty of charitable acts lies in them being spontaneous and carried out in a spirit of compassion (Dees 2012:323f.). Similar ideas can be found in Buddhist, Islamic, and Jewish concepts. In our practical experience, we encountered no serious resistance to the utilitarian idea behind SROI analysis.

The second area of fundamental criticism pertains to commensuration, which is to say, to "the comparison of different entities according to a common metric" (Espeland and Stevens 1998:313). In SROI analysis, qualitative issues are quantified, translated into monetary values, and compared to each other. Commensuration is never a neutral approach but inherently political. SROI analyses are particularly poignant in that they involve monetizing and comparing things that are often regarded as priceless and unique, like human lives, health or nature.

To argue against commensuration, we may cite Kant (1994:97), who states that "[…] man as a person, […] is exalted above all price". Commensuration is a form of exerting—unevenly distributed—power by determining the currency in which the value of things is to be expressed. However, commensuration enables compromise and integration (Espeland and Stevens 1998:318–323). Hopes have been voiced that, by translating often-ignored impacts into the language of money, SROI analysis might put them into the limelight (Edwards et al. 2010; Jardine and Whyte 2013).

In the last decade, possibilities of monetization have extended noticeably. What once seemed unimaginable (e.g. Frumkin 2003, on monetizing the value of advocacy, orchestra performances and family unity) today can be monetized with economic methods, for example, willingness to pay, required compensation, revealed preference techniques, travel cost method, or average household spending on certain kinds of goods (Nicholls et al. 2012:47f.). It is therefore increasingly necessary to think about normative limits: does monetization provide a valid measurement of the impact in question?

SROI analysts have developed two different approaches to deal with the fundamental problems connected to commensuration: One approach is to keep monetization deliberately partial and include other data as a prominent part of SROI analysis (see, for example, publications by REDF such as Gair 2009; and by CSI Heidelberg such as Kehl and Then 2009). Another approach—and this is the one we mostly chose in our work—is to aim for rather comprehensive monetization, but to explicitly reflect on the ethical and political implications of doing so.

In our work, we always assess ethical issues of commensuration together with the client. If either side sees major problems in this regard, we do not use the SROI method. There have, however, been cases when we agreed to conduct the analysis but struggled with issues of commensuration in minor situations. The first of those situations occurred in an NPO program that we evaluated for a government institution. Here, one stakeholder accrued the benefit of increased security of employment. Back then we did not monetize this, because we thought that there was no meaningful way of doing so. Today we would probably think differently and monetize it with the cost of an insurance against job loss. The second situation occurred with the fire brigades. This was the first time we faced the question whether and how to monetize human lives. We decided to do so by using the value of a statistical life, because this is common practice in the evaluation of public services. The most recent situation occurred in the evaluation of an NPO for street children in Romania. Here, we faced the question whether and how to monetize the feeling of warmth and security provided by a family. We decided that this could not be adequately monetized, as we were unable to come up with any clear valuation criteria and felt that any proxy would transgress boundaries of human decency.

We have also encountered resistance to monetization from groups of NPO employees who had been pressured to participate in the analysis. The power imbalance between those groups and the evaluators was considerable. It is therefore not surprising that, in those cases, questions about the fundamental legitimacy of commensuration turned into micro-political haggling about particular numbers.

Inherent but Acceptable Limitations of SROI Analyses

Some limitations of SROI are inherent in the method but become problematic only if not properly taken into account when conducting or interpreting analyses.

The Necessity to Complement SROI with Other Information

SROI "cannot and should not be used as the sole indicator of social performance, in the same way that ROI is not used as a sole indicator of financial performance" (Olsen and Lingane 2003:13). SROI ratios need to be interpreted against the background of the methodology used and complemented with additional information. Nevertheless, the notion that SROI is a single figure to measure success persists among funders and NPOs (Gair 2009:2; Jardine and Whyte 2013:28; Nicholls et al. 2012:11), and there is a tendency for SROI reports to mainly focus on the SROI figure. This tendency is aptly referred to by Gair (2009:2) as "silver bulletism". To counteract this tendency, SROI approaches with partial monetization, such as the ones propagated by REDF and CSI Heidelberg, are helpful.

In the reports that we write, we always provide a detailed description of the methodology we used to arrive at a SROI figure. In the case of one study, the NPO that had commissioned it decided not to publicly communicate their—evidently positive and high—SROI metric for a while. They were worried that the naked number would distract from the more important message about the kinds of impact that their home care services produced, such as providing good quality care and creating jobs for women.

Limits to Comparability

The belief that SROI analysis provides unlimited comparability between social investments originates from its rootedness in economic theory (Ryan and Lyne 2008:231). Obviously, it is valid to compare SROI ratios for the same object of analysis at various points in time. The comparability of SROI figures could further be increased if calculation procedures such as discount rates, deadweights, and proxies were further standardized.

A trickier issue is the comparison between objects of different scale or in different environments. For example, when assessing the impact of a particular fire brigade, the deadweight would be higher than when assessing the impact of almost all fire brigades in a province. Thus, it can be misleading if SROI values are compared without bearing scale in mind.

Welfare state context also matters, because in a country with higher expenditures on social welfare, NPO interventions lead to larger cost savings for the public purse, thus resulting in higher SROI ratios. The level of economic development influences income levels and costs of living. Since most NPO activities are labour-intensive, these disparities affect inputs (for example, the salaries of employees) and outcomes of an intervention (for example, an achieved increase in the income of beneficiaries) alike.

What remains controversial is whether it is valid to compare SROI figures of programs with different objectives. Some proponents believe that, given unified calculation methods, such a comparison is valid. A prominent example is the Copenhagen Consensus project, which, by comparing cost-benefit-ratios, comes to the conclusion that fighting HIV should be given priority over addressing climate change. Most researchers, however, believe that SROI can only be used for comparisons between organizations working for similar outcomes and that different starting points of interventions in relation to achieved outcomes should be taken into consideration by calculating something like a "difficulty coefficient" or "risk coefficient" (Emerson and Cabaj 2000:13; Olsen and Lingane 2003:13). For example, if work integration of adults is more difficult than that of at-risk teens, the adult program may be of higher value than the teen program, despite its lower SROI. Applying such a coefficient would probably diminish the risk of creaming, but it would lead to the question of who shall set the coefficient, and by what means.

Limits to comparability are always crucial when we present our SROI analyses to external audiences. For instance, if fire brigades have a SROI of 10.2 and support for victims of trafficking in women has a SROI of just 2.44, this proves that it pays off to extinguish a fire, but it does not mean that benefactors should stop donating for victims of human trafficking and give all their money to fire brigades. Out of all the studies we have conducted, the four studies of award-winning social entrepreneurship projects are most suitable for comparison. They apply a consistent methodology to projects of roughly the same size and age, embedded in the same national context.

The Everlasting Need for Discretion and Subjective Judgement

Since the claim that different entities can be quantified and compared according to a common metric is inherently political (Espeland and Stevens 1998:315, 323), a SROI analysis that is objective, in the sense of avoiding value judgments, is impossible.

Objectivity comes somewhat closer within reach if we understand it as a quality criterion for social research, with every competent analyst coming to the same result. Currently, however, SROI analysis is not standardized to such a degree. Analysts have to take many decisions according to their own discretionary judgment. For measuring impacts, for example, researchers have to select an appropriate method from the spectrum of social science methods, which range from qualitative interviews to experimental designs. There are no clear criteria as to when realized savings and alternative production costs should be used for monetizing non-monetary values, and there are no standards for assessing alternative production costs. If there are no direct indicators available for measuring impact, proxies are used. These are auxiliary constructs for measuring outcomes (for example, the number of association-memberships as a proxy for social inclusion) and for monetizing outcome (for example, premium for insurance as proxy for monetizing a sense of security provided by fire brigades). Analysts have to choose proxies from several potential constructs and data sources.

As a consequence, also classical criteria of reliability and validity are not fully appropriate for judging the quality of SROI analyses. Due to the method's low standardization and pervasive need for researchers to make discretionary decisions, it is highly unlikely that two analysts working on the same case would arrive at the same SROI ratio. Additionally, the validity of the SROI metric must be regarded with caution, as for certain kinds of NPO activities, monetized impacts lean towards low values: activities leading to impacts that are indirectly caused, that occur with a low probability, that occur with a long delay, or where the affected target is diffuse. This means that NPOs' various societal functions are not equally amenable to measurement, with advocacy and community building being much harder to assess than service delivery.

Therefore, to decide whether a particular SROI report is sound, it would be more appropriate to use criteria of interpretative social research such as intersubjective transparency of the process, indication and appropriateness of procedures, empirical anchoring of the impact value chain, clarification of limitations, and reflected subjectivity (Steinke 2004). In any case, there is a real danger of NPOs' missions inadvertently shifting towards activities that are easy to monetize (Arvidson et al. 2010:3).

In our experience, the need for discretionary decisions is inversely related to the time resources available for evaluation: The more thoroughly an evaluation can be done, the fewer discretionary assumptions and proxies have to be used. Also, with each additional SROI analysis that we do, discretionary methodology becomes less of a topic of debate among our research team, as we can get orientation from previous practices.

High Costs and Resource Needs

SROI analysis is one of the most resource-intensive methods for measuring social impact (Stevenson et al. 2010:25). Costs range from zero—for free internet calculators—to tens of thousands of dollars (Gordon 2009; Olsen and Lingane 2003:14; Stevenson et al. 2010:26). In terms of workloads, figures from 19 to 38 days' work (Gordon 2009; Laskowski and Kellem 2008:391) have been reported. Since no information about the costs of analyst labour and the analyses' scope and complexity is provided, those figures are hard to interpret. From our own experience (see Table 3), they seem realistic for the analysis of a single program in a small NPO with four to five stakeholders, or for analyses in larger fields where indicators and proxies are already known and good input–output data exist.

When comparing the resource needs of the SROI analyses we have conducted with the benefits they have brought for the contracting entity, most of those analyses were good value for money. In the four cases of NPOs commissioning the SROI analyses to prevent funding cuts, to generally vamp up impact communication, and to generate internal learning, it would probably have been hard to find an instrument that would have delivered the same benefits at lower costs. In case of the social entrepreneurship award, the corporate partner commissioned the SROI analyses to promote improved funding decisions, trigger a learning process on part of the NPOs, and keep CSR money from headquarters flowing. SROI analyses were a very cost-efficient way of achieving those goals. The cost of the SROI evaluations was about 10 % of the total prize money, which compares favourably to other forms of fundraising (see Aldrich 2009:47).

In two cases, the overall value for money of SROI analysis seems more questionable. One report did not result in as high a SROI figure as the funding institution had hoped for and was consequently filed away. The second case was the SROI analysis of a project for street children in Romania. It did not trigger a learning process on part of the NPO, for reasons of geographical distance. Learning effects for the funder were modest since, fortunately, the project went just as the funder had hoped. Moreover, the jury who made the funding decision had already had much expertise, which is why the SROI study did not make a big difference.

Several suggestions to reduce costs have been made, like enabling NPOs to do SROI analyses themselves (e.g. Ryan and Lyne 2008), focusing only on the most important stakeholders and impacts (e.g. Antonaras et al. 2011:81), using IT more intensively (e.g. Antonaras et al. 2011:81; Gair 2002, 2009; Jardine and Whyte 2013), or improving availability of external data such as shared databases of proxy data (e.g. Jardine and Whyte 2013; Meldrum 2011; Olsen and Lingane 2003).

Most of these suggestions are, however, difficult to put into practice. Small- or medium-sized NPOs usually do not have the time resources, qualifications, and access to academic journals and databases needed for SROI analysis. To focus only on important stakeholders and impacts is clearly advisable, but to know what is important, you need to at least talk to each stakeholder group once. Sometimes large social returns arise in unforeseen areas. For example, in the analysis of home care services, we discovered that the greatest benefits accrued in acute-care clinics that were relieved of having to accommodate patients not in need of medical treatment.

Many SROI analyses to date rely on manual data entry and one-off calculations. It has been suggested that SROI analysis could be standardized so that NPOs would be able to enter their data into a mask and then receive “their” SROI figure. Attempts into this direction so far resemble fortune-teller machines. Undoubtedly, however, customized SROI analyses are easier if NPOs have impact-oriented routine information systems (Gair 2009).

Improving availability of external data would reduce the costs of many SROI analyses. Efforts to develop such databases, for example, containing proxy data, are currently undertaken by actors such as the SROI Network and various national administrations. Problems, however, persist in small countries or specialty areas where such databases have low scale effects, and in less developed countries or unpopular fields that lack institutions to fund and maintain such databases.

Technical Issues: Developing SROI Analysis Further

Finally, there are critical issues concerning SROI analysis that, in principle, could be settled as the method develops.

Understanding Causality

As Jardine and Whyte (2013) have expounded, the claims to causality that underlie SROI analyses usually fall behind gold standards of scientific research. Statistical data about effects are often unavailable. More problematically, Jardine and Whyte (ibid.:28) also point out that it is not uncommon for SROI analyses to neglect the qualitative illumination of impact value chains necessary to understand the mechanisms leading to desired outcomes, even though the cost of examining such mechanisms with qualitative methods is not prohibitive.

Another question connected to understanding causality concerns the setting of deadweights and attributions. As experimental designs in most cases are not feasible, analysts need to work around the problem by considering deadweight in the form of random effects (e.g. when a fire extinguishes without any action taken), larger societal developments (e.g. an overall increase in awareness of healthy nutrition), clients' own agency (e.g. the proportion of street children who, without any support, manage to gain a foothold in society), contributions of interventions by other NPOs or government institutions working in parallel, and available capacities acting as substitutes (e.g. vacant places in other nursing homes).

To date, there is little general guidance available when it comes to deciding what levels of attribution to choose. It is recommended that various scenarios be considered (Nicholls et al. 2012:69) and that displacements or negative impacts caused by an intervention be taken into account. For example, a work integration program may help participants to find regular employment at the expense of non-participants (Arvidson et al. 2010:13).

Every SROI analysis has to deal with this causality problem. In our work, we only conduct a SROI analysis when we judge it possible to identify causal effects with reasonable confidence.

Dealing with Temporality

Another critical issue is the temporality of effects, in particular the linearity of social returns and the issue of discount rates (Polonsky and Grau 2011:202). Common approaches involve discounting monetary or even non-monetary returns with an interest in the range of base rates. We propose to disentangle this issue into three aspects: inflation, attribution, and opportunity cost or time preference.

The most straightforward issue is inflation. If an intervention is expected to have an economic or socio-economic return (in the sense of the REDF method, see Emerson et al. 2000), it makes sense to discount future returns to today's real value, because, given inflation, they will be worth more today than tomorrow. In the case of social returns that are monetized by the analyst, discounting for inflation makes no sense because these are benefits "in kind".

The second issue concerns attribution over time. "[T]here is often uncertainty whether long-term benefits will actually be realized, and if so whether they are the result of earlier activities". (Olsen and Lingane 2003:12) The later the occurrence of outcomes promised by an intervention, the more could go wrong in realizing them and the more difficulties in attribution arise. Without evidence, there is no transparent way to arrive at a discount rate. In this context, it can be helpful to draw on scientific research about the long-term effects of interventions (for example, medical studies). Care must be taken not to deduct deadweights twice: once by discounting and once by deducting deadweight in the narrow sense.

Probably the trickiest issue concerns opportunity costs. A straightforward application of for-profit investment appraisal methods, as it is sometimes implied (Ryan and Lyne 2008:235, footnote 8), makes no sense. In a for-profit context, projected cash flows are discounted at a required rate of return, which is the return rate of an alternative investment. In a purely social investment context, however, once the investor has invested his or her money, it is no longer their property. The analogy of opportunity cost would only make sense if money could be invested with a social return and yet remain with the investor, for example, by being invested in ethical impact funds. The problem with such funds is that data are usually available only on their monetary but not on their social return, which defeats the purpose.

We thus propose that for setting discount rates, it makes more sense to use the concept of social time preference (Marini and Scaramozzino 2000). These rates should be based on a thorough contemplation of the intervention. It needs to be considered whether, in the light of intergenerational justice, it is legitimate to give the intervention's earlier benefits and costs a higher weight than its later ones (Klausner 2003).

Another major aspect of temporality concerns the linearity of social returns. Increasing the resources devoted to an intervention might lead to diminishing returns if it addresses finite social needs (Cheney et al. 2013). Also, outcomes may increase over time if staff realizes learning curve effects, or decrease if staff and participant enthusiasm diminish over time (Arvidson et al. 2010:13).

Technical issues with causality and temporality point at a central dilemma: should SROI aim to be a "theory of everything", or should analysts have the courage to leave gaps? We advocate for the latter.

The Two Sides of Standardization

Another much-debated issue is whether SROI analysis should be more standardized, which could increase the comparability of SROI reports as well as the availability of benchmark data (Olsen and Lingane 2003). However, this comparability would be limited to very specific cases only (see above). Another argument in favour of standardization is that it would simplify procedures, make SROI teaching and training easier, and thus lower the costs of SROI analyses. On the other hand, standardization prevents tailoring SROI analyses, thus making them potentially less valid and less useful for organizational learning. NPOs themselves prefer customized approaches (Millar and Hall 2013). It is thus difficult to take a stance for or against standardization. The crucial question is what kind of standardization is being aimed at: standardization of processes, of impact definitions, or of monetization. We will come back to this question in the conclusion.

It can be expected that ongoing efforts towards standardization (see, for example, Gair 2002; Olsen and Lingane 2003) will eventually have an effect on the method. Currently, the development of these standards is promoted by actors from the fields of venture philanthropy, consulting and action research, and framed as a purely scientific debate on methodology. Only a very narrow spectrum of NPOs is actively involved in this debate.

For us, the trade-off between standardization and customization was an issue especially in earlier studies. With the development of indicator databases, certain approaches have become staple fare, for example, monetizing the value of an education based on the increase in income that it brings about.

Assuring Quality

Given all the limitations of the SROI method, concerns about the quality of SROI analyses are not surprising (e.g. Antonaras et al. 2011; Arvidson et al. 2010; Jardine and Whyte 2013; Manetti 2014). One step towards assuring quality was the establishment of the SROI Network as an accrediting institution. Its aim is to ascertain minimum levels of competencies of analysts and quality standards of reports, as well as to develop, improve, and promote the SROI method. Also, the establishment of auditing systems has been suggested (Arvidson et al. 2010; Manetti 2014). Obviously, however, auditing would add costs to an approach that is already expensive.

In our work, the key to assuring quality is persistent reflexivity, transparency, and constant exchange with team members and other academics. We are also a member of the SROI Network. For the future, we see a need to consider SROI quality control on two levels: firstly, how can it be ensured that analysts meet established quality expectations? Secondly, how can such expectations be further developed? We will come back to these questions in the conclusion.

Conclusion

We conclude our assessment with some suggestions concerning a responsible and meaningful use of the SROI method as well as possibilities for further development of SROI analysis and for research about this topic.

It seems that the major strength of SROI analysis lies in its ability to provide "business-like" legitimacy. Enhancing the efficiency and effectiveness of resource allocations can be a welcome side effect. Therefore, it is important for NPOs, funders, and analysts who decide to engage in SROI analysis to avoid putting the long-term legitimacy of their organization and the non-profit sector as a whole in danger for fleeting gains. The sector's long-term legitimacy does not depend on its business-like facade, but on the value it creates for society by providing beneficial services and products, by being an effective advocate for those whose voice would otherwise not be heard, and by providing a space for community building and the expression of shared values. Thus, there are three purposes for using SROI analysis that can be considered meaningful and responsible.

Firstly, SROI could be a way to promote a society that is oriented towards social impact. It seems somewhat odd that today SROI is almost exclusively applied to NPOs. Why do NPOs, whose primary purpose is philanthropic, have to prove their social value, but not for-profit companies? At present, the negative externalities of for-profit businesses such as damages to the environment, health, and employees' family lives are still widely accepted. Some corporations become "too big to fail" and can externalize even their financial losses. SROI analysis could be a chance for NPOs to communicate to for-profit companies and government institutions in "business-like" language in order to demand equal treatment with regard to impact analysis and to gain room for manoeuvre in public debate about the worth of social institutions. We may imagine NPOs using SROI to turn the tables by saying: "I have shown you mine, so let's see yours". Therefore, it will be particularly important for NPOs to engage in the debate not just individually, but also through NPO umbrella organizations and representative bodies.

A second appropriate application of SROI analysis occurs when NPOs need to communicate to audiences who prefer simple forms of information, who have a strictly financial focus, or who are incompletely aware of NPOs' social value. The—albeit treacherous—simplicity of the SROI ratio can be useful for fostering relations with the general public via mass media. Broad lay audiences will often have little interest in topics like redistribution or social responsibility for disadvantaged groups. They may even have prejudices against the NPO's work, its workers or beneficiaries. In such a situation, SROI analysis can be a way of showing them, in a simple way, that money spent on this NPO is not wasted. The fact that SROI monetizes social impacts can also enable NPOs to communicate proactively with funders, regulators, auditors, control boards, and similar groups that act under a strictly financial paradigm and do not believe in qualitative evidence. With SROI, NPOs can shift the focus from prevalent input/output measures to social impacts. This brings NPOs' missions to the centre of attention and thus—at least potentially—moves the performance debate to NPOs' home turf. SROI analysis can also be used to raise awareness of the social value of an NPO's work among stakeholders who are devoted to its cause but rarely look at it from a social investment perspective. For example, SROI can be used to inform the NPO's own employees and volunteers about the value of their work.

Finally, SROI can be an appropriate method for combining the above-mentioned communication purposes with organizational learning. SROI analysis is a resource-intensive method for assessing impacts. If an organization only wants to better understand how it generates social impact, for purely internal purposes, SROI analysis is not a wise allocation of resources. SROI analysis thus appears to be an approach "caught between two chairs": it can be used as a method of evaluation research, but its comparative strength does not lie in being a particularly efficient or valid tool for evaluating the effectiveness of social interventions—which would be the usual criteria for judging evaluation methods. The unique strength of SROI analysis rather lies in it being a powerful communication tool—which, traditionally, falls into the domain of stakeholder management, marketing, public relations, or advocacy. Therefore, those instances where SROI analysis can be responsibly applied as an evaluation method will be rather specific and limited to cases where the interest to understand the social impact generated by an intervention is complemented by a strong desire for impact-oriented communication in public relations or stakeholder management.

For the future development of SROI analysis, standardization and quality assurance are crucial issues. The issue of quality assurance needs to be tackled on two levels: by ensuring that analysts meet established quality criteria and by further developing those criteria.

For the first challenge, approaches that have been used in the field of accounting may be appropriate. Out of these, the accreditation of auditors seems more promising than the auditing of single reports. Auditing reports in a for-profit context has the purpose to protect investor and creditor interests. In the context of social impact, the purpose of creditor protection falls away, and investor interests need to be viewed in a different light. If by investors we mean small donors, current practices of fundraising and donating make the problem of perhaps not-quite-rigorous SROI analyses look insignificant. Small donors are free to make their donations out of habit, based on intuition, or based on seemingly rational but actually misleading data like overhead costs. Government institutions and professional social impact investors can be expected to be competent enough to assess the quality of SROI reports. Undoubtedly, a more cost-efficient approach to ascertain that SROI reports meet quality expectations lies in building SROI analysis brands and strengthening efforts to accredit analysts and analyst institutions. This could help to make sure that SROI reports meet basic quality criteria, such as speaking to every stakeholder group at least once, subtracting deadweights, and choosing reasonable proxies.

The second challenge lies in the further development of those quality criteria. This includes advancing the state of the art for dealing with causality and temporality, developing standards, but also finding a balance of standardization and customization. For those purposes, SROI analysts should orient themselves towards the development of methodologies in the social sciences. Co-operation with colleagues from other institutions, publishing SROI analyses and being open to feedback from peers, talking and writing about SROI methodology in peer-reviewed contexts, and engaging with the method from a teacher's perspective are approaches that help to advance the method.

We would welcome more emphasis on strengthening the professional ethics of SROI analysis, in particular the commitment to continuous improvement and publishing results, and on increasing opportunities for scientific and professional debate. In our own practice, we see that the learning curve effects from conducting SROI analyses are tremendous. Effects of this learning process should not only be used to lower costs but also to foster continuous improvement. We also see the need among the SROI community to further promote the publication of results. NPOs and funders are often reluctant to publicise their SROI analyses if the results are not believed to be good enough. This leaves the whole field trapped in a lose–lose situation, with an escalation of expectations concerning SROI figures, biased information about NPO programs, and SROI reports that may have been models of best practice in terms of precision and impartiality remaining unavailable to the analyst community. Individual analysts may, in fact, have an interest in maintaining this situation to keep competition at bay. In the long run, however, we see no better way to promote mutual learning and quality in the SROI field than by publishing full reports.

A special aspect of the debate about quality assurance concerns power effects of standardization. NPOs should be concerned about this, because the standardization agenda is currently driven by actors from the fields of philanthropy, consulting, and action research, thus only involving a very narrow spectrum of NPOs. We propose that it would be important for umbrella organizations and other representative bodies of NPOs to get more actively involved. Otherwise the above-mentioned proponents driving the discussion might make the discretionary decisions necessary for setting standards in ways that fit their agenda. Since an increasing number of funders base their funding decisions on SROI figures, it should be of vital interest to NPOs to participate in shaping the SROI method. In doing so, it would be useful to distinguish between attempts to standardize processes, impact definitions, and monetization. Attempts to standardize processes are currently undertaken, for example, by the SROI Network, as it issues guidelines (e.g. Nicholls et al. 2012) and accredits analysts. Important impulses towards a standardization of impact definitions come from initiatives aiming to compile state-of-the-art reviews about specific policy fields and social issues (for example, the Aspen Institute's review on community change, edited by Fulbright-Anderson and Auspos 2006; or reviews by the ESRC UK Centre for Evidence Based Policy and Practice such as Pawson 2002). Steps towards a standardization of monetization are, for example, undertaken by the SROI Network with its database www.globalvaluexchange.org.

NPOs should be aware of the fact that activities not leading to high SROI values are in practical danger of losing out in the race for funding, even if the scientific bases for such funding decisions may be incorrect. NPOs involved in standardization will have to strike a balance between increasing standardization and leaving enough flexibility for the method to be applied to a wide variety of purposes.

From previous research and our own work, we have been able to develop some assumptions about the intended and unintended effects of SROI analysis. Systematic empirical evidence to support or challenge those assumptions is, however, still exceedingly scarce. We would therefore consider research on the following questions particularly relevant:

The first central question is whether SROI analysis brings legitimacy gains. If so, of what kind and under what conditions? Previous research (Millar and Hall 2013:13) and our own observations suggest that SROI analysis does not help NPOs to attract new government funding. Could it be that SROI is more useful for securing existing levels of government funding, or attracting private funding?

The second central question is whether SROI analysis helps to improve efficiency and effectiveness. If so, what kind of efficiency? Does it privilege efficiency from a funder's perspective, i.e. to increase the overall impact of their money put into social investment? Does it promote efficiency from a single NPO's perspective, i.e. does it help the NPO to identify the most appropriate inputs, processes, and outputs to achieve certain outcomes? Under what conditions can these kinds of efficiency gains be realized? And how do the costs of SROI analyses compare to the achieved improvements? These questions would be worthwhile to examine, for example, in the form of comparative case studies or with quantitative methods.

A final important task would be to examine whether and how the validity of SROI ratios systematically varies in the way they are able to capture NPOs' contributions to different societal functions, such as service provision, advocacy, and community building. As outlined above, there is reason to assume that SROI is most suitable for assessing impacts in the service delivery function, but less so when it comes to advocacy or community building. This could be examined, for example, by comparing the results of SROI analyses of various NPO programs to other operationalizations of their performance.

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