



Of the Greater Philadelphia Area

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*Your partner for solving  
environmental, social and governance  
requirements ... and beyond!*

## Monetize it!

Sometimes monetization is a fairly straightforward process. Especially, where it relates to a cost saving or increase in income. For example, where you are interested in the value of improved health; you may decide to use the cost of attending a doctor's appointment. Rises in income for people through salary or for the state through tax increases are additional examples.

Where it is more challenging, there are several techniques available to assign value.

- Ask Stakeholders directly about their willingness to pay for something
- Government data on household spending, such as for leisure or home improvements
- Hedonic pricing method builds value from the market value of related amenities (e.g., cost of pollution based on the premium placed on similar houses in "clean" or unpolluted areas)
- Travel cost/time value method is to calculate the value of time or cost to travel to have access to that amenity

There are no hard and fast rules. Monetization without a direct market price for a product or service requires creativity and judgement. Ultimately, the decisions you make during this step must be documented transparently.



## Measuring Social Value in 5 Steps

Sustainability is regarded as the "Triple Bottom Line – People, Planet, and Profits." As environmental, health & safety professionals, we have historically focused on pollution prevention as part of the "planet" pillar of sustainability; and on worker safety relative to the "people" pillar. Increasingly, we are being asked to focus on the social consequences (and benefits) of our projects, products, and services.

In this new era of better communication and a shift in philosophy from "do this to keep you out of jail," to "do this because it supports the company's business strategy," we have to ensure that the projects, products and services we are evaluating include the financial value of the related social aspects.

But, how do we put a dollar value on social aspects so that an evaluation of the return on investment for a project, product or service can include the social consequences and benefits? A five-step process can be used to identify the social value in dollars for every dollar spent on social programs. Also called "Social Return on Investment" or SROI.

The Global Action Plan (GAP) Ireland SROI report, based on a study published in 2017, will be used as

an example to illustrate the five-step process. GAP is an international organization whose aim is to facilitate behavior change to promote environmental sustainability by offering programs and activities such as local trash cleanups, youth gardening, and promoting "green living" or environmental stewardship to reduce negative environmental consequences. The study, conducted in Ireland during 2016, sought to determine the value of the organization's services or activities.

**Establish Scope and Identify Stakeholders.** The first step is to describe your project, product or service; identify the intended outcomes; assess possible unintended consequences or externalities; choose what you are going to measure; and identify who will receive the benefits and consequences. It is best to establish a team for this effort and to keep good records from the beginning. For the GAP study, the stakeholders included the program participants (youths), their families, teachers, community members, and GAP staff.

**Map Outcomes.** An impact map will detail how the project uses resources (inputs) to deliver activities (outputs), which result in outcomes for stakeholders.

## About the Author

Donna Switzer is the founder of Beyond Compliance LLC Consulting of the Greater Philadelphia Area, a woman-owned sustainability and environmental, health and safety (EHS) consulting firm that partners with organizations to solve environmental, social and governance (ESG) requirements. Donna is passionate about reducing risks associated with air emissions, wastewater discharges, waste management, and workplace safety. She has worked with a broad range of organizations in chemical, pharmaceutical, manufacturing, construction, and power sectors in developing, implementing, and evaluating key sustainability and EHS programs.

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The impact map is also where you describe the “theory of change,” which ultimately describes the problem that your project, product or service is addressing. The GAP report listed program attendance as an input to all programs. Outcomes related to the environmental stewardship program included increased awareness of environmental issues and reduction in utility use.

**Establish Value for Outcomes.** Once you identify the outcomes, you must establish outcome indicators as evidence that the outcome is occurring. This is the step where you collect data to measure the effect of the project, product, or service, and then assign a financial value. The GAP report equated utility use as an indicator for increase awareness of environmental issues. Financial proxies (approximations) are used to estimate the social value of non-traded goods. One financial proxy used by the GAP report was the average amount of household money saved on utilities. The data showed an annual cost savings of €3,000 in utilities. See the “Monetize It!” sidebar.

**Calculate SROI.** Once you have measured the outcomes through the associated indicators, you must evaluate the data to ensure that it is properly attributed to your project, product or service and that you have not double counted (among other data pitfalls). And then, calculate the impact. To do that, you take the quantity of each outcome multiplied by the financial proxy and remove any changes that are attributed to some other affect.

$$\text{SROI} = \text{total value} / \text{total inputs}$$

The Global Action Plan investment inputs were calculated to be €160,000. After identifying financial proxies and applying them to the identified output indicators, the **total calculated value delivered was between approximately €1.40 to €2.55 for every €1 invested.**

The results of the SROI should then be compared to business policies related to investments to determine if it is a good investment, i.e., does the calculated value for the project meet business investment requirements.

**Be Transparent.** Now that you have determined the social value of your project, product or service; report it. The report should describe the results and be relevant to the stakeholders. The report should also disclose the decisions and assumptions made, any problems with the data, and the financial proxies used. The report can also be a way of identifying changes to the project, product or service to address unintended negative consequences that were not initially identified; or to make decisions about future projects, products or services.

### In conclusion...

Making a business decision about implementing a project, product or service that has social benefits and consequences must be supported by assigning financial value. By going through a systematic five step SROI process, a dollar value that is robust and accurate can be assigned to each outcome and communicated to stakeholders. Knowing the financial value of the social aspects enables business leaders to make informed investment decisions that support their business strategy.

If you would like more information about how you can plan for and implement a successful sustainability program, please contact us.

### Resources:

Photo by Matthew Henry from Burst

The Guide to Social Return on Investment ([socialvalueuk.org](http://socialvalueuk.org))

Global Action Plan SROI

<http://www.socialvalueuk.org/app/uploads/2018/02/Global-Action-Plan-SROI-Analysis-FINAL.pdf>

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