How Nonprofits Can Drive Healthy Growth Using SROI

Social return on investment is an underutilized yet surprisingly flexible tool for making strong resource allocation decisions that maximize nonprofit impact.

By Matthew Forti & Jake Calhoun  |  Jul. 20, 2017

In the Global North, we’re in the midst of summer, and for many, it’s the season for barbecues and rediscovering our love of the outdoors.

But if you traveled several thousand miles south to rural Kenya, you’d find a much different annual ritual playing out. In villages across the country, it’s the hunger season, a time of year when most of the food from last season’s crop has run out. There, farming families are making gut-wrenching decisions about how to allocate their scarce resources—food and money—to survive until their next harvest arrives.

One Acre Fund’s mission is to work with smallholders to eliminate the hunger season and create new rituals of plenty, where farmers harvest more than enough food to last throughout the year. Our ultimate goal is to make smallholders more prosperous, and as such, we have an enormous responsibility to ensure that our resources—both staff and funding—are allocated to programs that maximize social good for our clients.

Social return on investment

Determining how to allocate resources is a monumental challenge, especially because data-driven decision-making remains elusive for many nonprofits. One Acre Fund has tackled this challenge by calculating a metric, across all our programs, called social return on investment (SROI), which is the total impact we generate...
This chart maps health growth paths (dashed lines) by pairing SROI values to incremental scale milestones, using historical SROI figures (circles) and projected estimates (triangles). The two healthy paths reflect differing need levels in our clients.
saving initiatives that collectively reduced cost per farmer (thereby increasing SROI) by more than 20 percent.

For any nonprofit with multiple programs and geographies, the healthy growth path can be a powerful tool to level the playing field and inform tough strategic decisions. We also believe funders can use the healthy path to compare performance of grantees at different scale or maturity points, informing investment decisions and facilitating conversations around the merits of growth versus efficiency.

**Innovation 2: Factoring in “needs adjustment”**

The healthy growth path enables fairer comparisons of programs operating at different scales. But a second factor—client “need level”—is equally important to consider. At One Acre Fund, although all farmers we serve are poor, the reality is that adding $1 in incremental profit for a Burundian farmer earning just $200 a year from agriculture might be more impactful than $1 for a Tanzanian farmer earning $450 a year.

Because of this difference, we’ve decided to hold ourselves to a higher SROI standard in regions with relatively less need. Conversely, we accept lower SROI values in higher-need areas where each incremental dollar generated is more valuable. As shown in the chart above, we have therefore split our healthy growth path metric in two, and then assigned individual countries to one of these paths based on average, pre-One Acre Fund agricultural incomes.

For instance, our organization is proud to be working in Burundi, one of the hungriest countries on the planet. Burundi is a difficult operating environment with isolated, mountainous terrain. Farmers grow crops on plots of land about 50 percent smaller on average than in our other operating countries. In recent years, we’ve been achieving about $100 of impact per farmer in Burundi at a net cost of $25. This SROI is on par with several other countries where we work; however, when we factor in need level, Burundi’s SROI looks much stronger. Because of this, we recently made the decision to enter four new districts in the country and collectively anticipate reaching at least 80,000 farm families by
year-end. Even with a clear target population in mind, nonprofits often reach clients of varying need levels. Segmenting populations and then adjusting SROI expectations accordingly can be an important second way to level the playing field as nonprofits allocate resources to their programs.

**Measurement matters**

It’s easy to fall into the trap of assuming SROI is a measurement exercise best left to evaluation and finance teams. Our experience is quite the opposite; it is a powerful tool for top organizational leaders and boards to make the toughest resource allocation decisions. SROI is best viewed as part of the pact a nonprofit makes—with its staff, its funders, and most importantly its clients—to generate the most social good for every dollar it deploys. At One Acre Fund, it’s ultimately about making the hunger season a distant memory for more farm families every year.

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