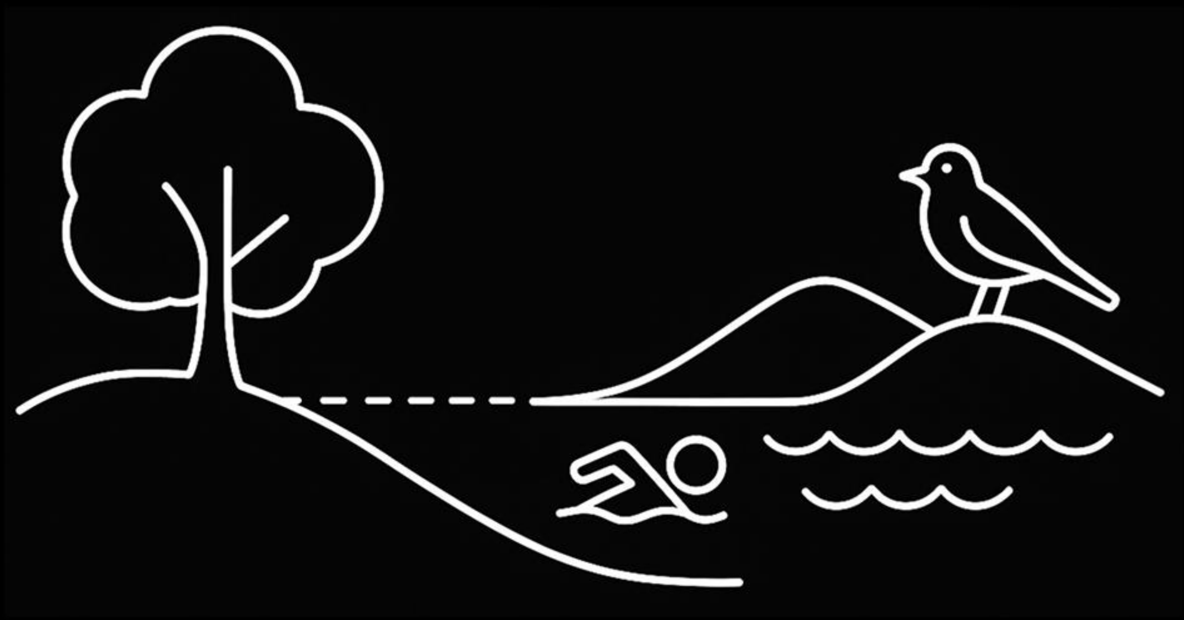
Valuing the Outcome

Assigning $'s to Your Results



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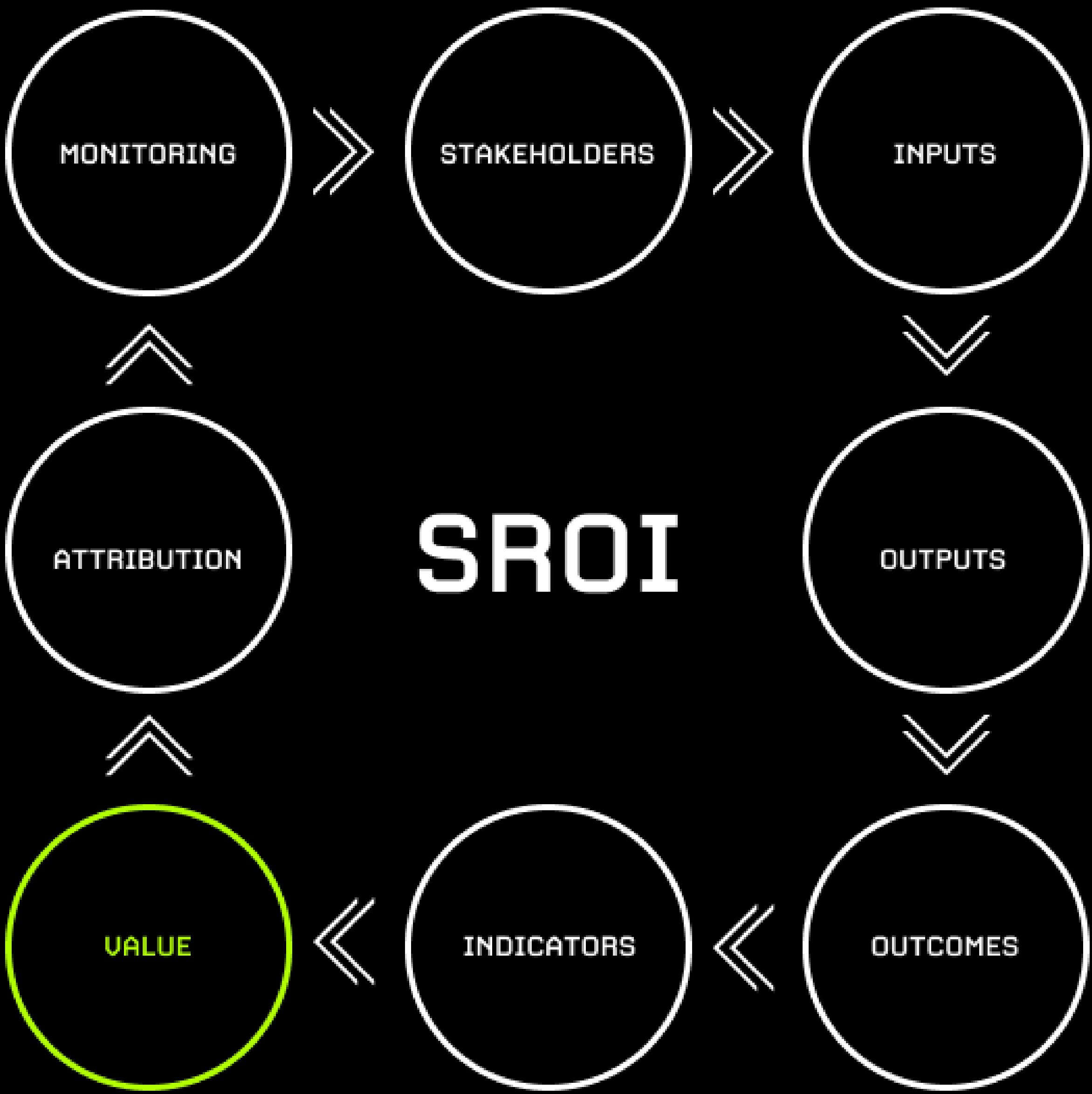
MONITORING
STAKEHOLDERS
INPUTS
ATTRIBUTION
SROI
OUTPUTS
VALUE
INDICATORS
OUTCOMES

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1. Introduction

What do Values mean in SROI?

Putting a Value on What You Achieve

Demonstrating the value of your work often requires more than describing what changed - it means quantifying that change in a way others can understand. Assigning a financial or comparable value to outcomes is a core principle of SROI, enabling organisations to compare the benefits generated with the resources invested.

By attaching a dollar figure to outcomes, SROI helps answer a critical question:

> *Are the outcomes and change worth the cost?*

This approach does not reduce human stories to numbers. Rather, it uses valuation as a common language - one that funders, boards, communities, and policymakers can use to recognise the real, tangible impact of your work.

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2. What Outcomes Can Be Valued?

Most outcomes can be assigned a value, although some are easier to quantify than others. What matters most is that each outcome represents a meaningful change experienced by stakeholders as a result of your programme.

These changes may be **tangible** or **intangible** and are both valid and valuable in SROI.

- **Tangible outcomes** have a direct or obvious financial implication and are often easier to assign a value to. For example: Employment or increased income e.g. personal and tax revenue gains
- **Intangible outcomes** don't have a direct price tag but still carry real value. For example: Enhanced cultural identity and belonging e.g. including reconnection to whakapapa, language, or tikanga

Even if an outcome isn't traded in the marketplace, you can still use a proxy value that is a well-reasoned estimate based on evidence or comparison.

Tangible Outcomes

Intangible Outcomes

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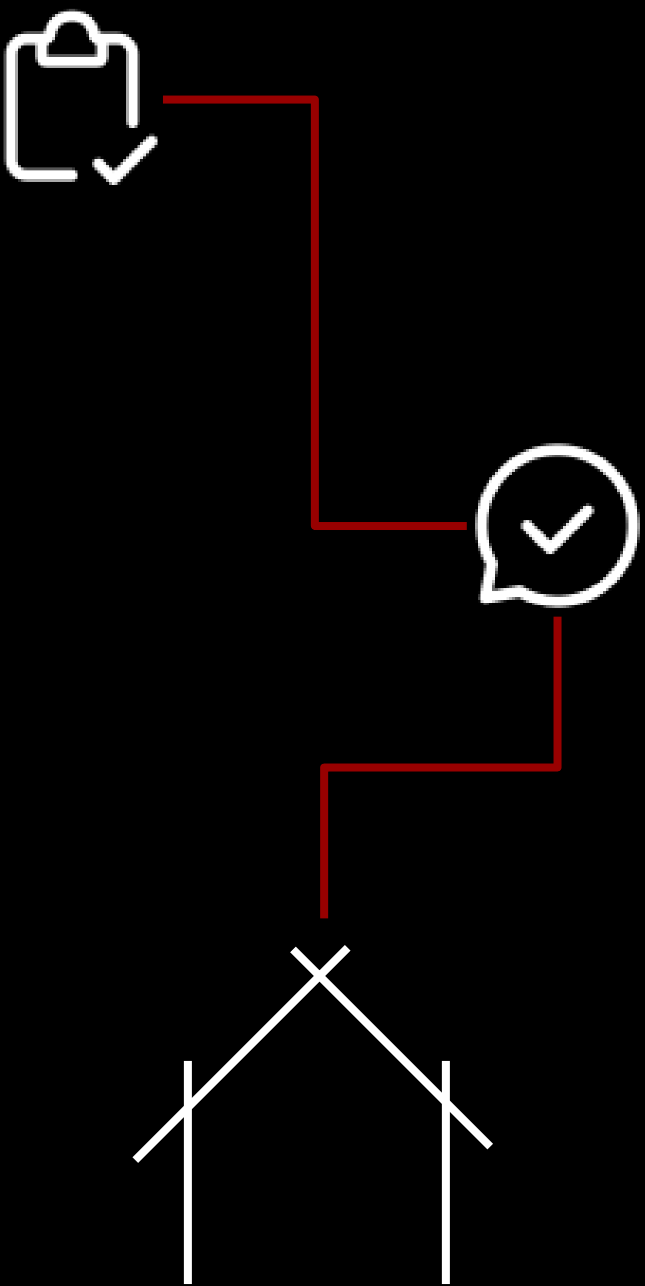
3. Complex or Sensitive Outcomes



Some of the most meaningful changes brought about by social programmes can be personal, cultural, or relational e.g. self-worth, cultural identity, and trust within whānau or communities. These can be difficult to value. Rather than excluding them consider a flexible and inclusive approach that:

- Uses partial valuation where a full market substitute does not exist.
- Triangulates proxy values with qualitative data to provide a fuller picture.
- Engages stakeholders especially those with lived experience or cultural authority to shape what value looks like.
- Clearly states when and why an outcome is not fully monetised and describe its importance through other evidence.

Valuing these outcomes is not about forcing a number onto something sacred or relational it's about ensuring those changes are visible, respected, and integrated into the overall story of social value.

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4. Valuation Approaches

There are many methods for assigning financial value to outcomes - each suited to different contexts - from market-based costs to stated preferences.

4.1 Cost-based Approaches

These methods estimate value by looking at money saved or trade-offs avoided often from an organisation's point of view.

One way to do this is by using **replacement cost**. For example, if volunteers help an organisation run more services, their time can be valued by asking: "How much would it cost to hire someone to do the same job?"

From the volunteer's point of view, we can use **opportunity cost-** estimating what they could have earned if they had spent that time in paid work instead.

4.2 Revealed Preference

Revealed preference approaches value outcomes by analysing market behaviours, like purchasing goods, and using their prices to estimate changes, such as mental health improvements via counselling costs.

Changes in productivity like someone earning more after training also help show value. Other methods look at travel costs or property prices to understand how much people are willing to pay for benefits, such as safety or access to green spaces.

4.3 Stated Preferences

Stated preference methods use surveys or games to ask people how much they value certain things.

One common method is contingent valuation, where people are asked how much they would be *willing to pay* (WTP) for a positive change, or how much they would need to be *willing to accept* (WTA) for a negative change.

Choice experiments are another form of stated preference that ask people to pick between scenarios with different features and costs, revealing how much they value each element.

4.4 Wellbeing Valuation

Wellbeing valuation uses data from large surveys to measure how life changes like better health or housing and in what way that affects an individual's overall life satisfaction. It then estimates the dollar amount of income needed to create the same change in wellbeing.

For example, if a $1,000 income boost increases life satisfaction by one point, and improved mental health increases life satisfaction by two points, the mental health benefit could be valued at $2,000.

5. Valuation Data

For any method of valuation, data can come from either primary or secondary sources.

You can gather information directly from your stakeholders or alternatively you use an approach called **benefit transfer** which is an economic technique that uses values from existing studies and applies them to a new context with suitable adjustments. It's a popular option because it's quick and cost-effective, but it must be used carefully and transparently. To be reliable, the context must be similar enough to ensure the transferred values remain valid and useful for decision-making.

There are a few recognised ways to carry out benefit (or value) transfer:

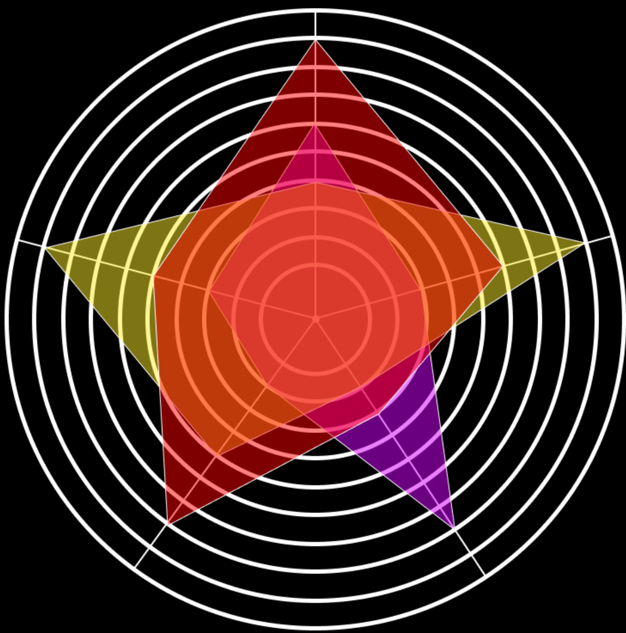
- One method is **unit value transfer**, which uses standardised, measurable units (e.g. like hours of travel time saved) to assign a financial value in a new context.
- Another approach is **benefit function transfer**, which uses a formula or model (such as willingness to pay) from an existing study to estimate values in a new setting.

6. Credible Values

When communicating the social value of your program, choosing appropriate financial proxies is crucial.

The most reliable proxies are those previously used by reputable third-party sources or grounded in robust research conducted by your organisation. Alternatively, proxies based on market comparisons (e.g., the cost of achieving a similar outcome through other means) or informed assumptions can be used, though these tend to be less persuasive and may require justification tied to planned improvements.

During sensitivity analysis, you can assess how different proxies affect your overall results. If you're torn between two proxies, document both and later evaluate how each impacts your analysis.



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7. Communicating and Reporting

Once you've chosen your financial proxies, the next step is to communicate them clearly and credibly. The value of your work lies not just in the calculations, but in how effectively you explain them to stakeholders who may have limited experience with economics or evaluation.

Explain values clearly and simply to stakeholders

- Use stories alongside numbers.
- Highlight both qualitative narratives and quantitative evidence.
- Emphasise the rationale behind choosing particular proxies.

Reviewing and updating values

- Valuation isn't a one-off activity and values should be regularly reviewed throughout particularly if new data becomes available.
- Engage stakeholders periodically to ensure continued relevance and accuracy.

8. Common Mistakes

- **Double Counting:** Counting the same benefit under multiple outcomes (e.g., reduced anxiety and increased confidence both valued using counselling cost). If two outcomes share the same source of value, consider combining them or assigning a portion of the value to each.
- **Over-Valuation:** Using inflated or unrealistic proxy values that exaggerate the benefit of an outcome. Try to be conservative in your estimates or choose the lower-end value or ranges.
- **Insufficient Evidence or Weak Logic:** Assigning a financial proxy without a strong link to the actual change that occurred weakening the credibility of the analysis. Try to ensure every proxy is logically connected to a clearly defined outcome and provide supporting evidence.
- **Ignoring Non-Monetised Outcomes:** Always try including important outcomes, even if they can't be monetised. Draw on qualitative evidence and clearly explain your choice.

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8. Conclusion

Assigning financial values to outcomes is a practical mechanism for improving transparency, accountability, and comparability. In settings where funding is constrained and decisions must be well justified, the ability to demonstrate tangible value is critical.

When applied appropriately, valuation can encompass a wide range of outcomes, including those that are not easily monetised, while enhancing the credibility of analysis through consistent methods and clear rationale. It also provides a common framework for interpreting and communicating impact, aligning qualitative experience with economic evidence to support informed decision-making.

Matatihi has delivered dozens of social impact assessments across diverse sectors, from valuing the impact on Māori of 5G spectrum ownership to assessing the benefits of mentoring and many other meaningful projects along the way.

Our approach combines rigorous methods aligned with New Zealand Treasury standards, government expectations, and specific funding criteria, ensuring that your outcomes are clearly understood and valued appropriately.

Feel free to reach out anytime - I'd love to kōrero about your aspirations and explore how Matatihi can support your goals.

Dr. Jay Whitehead
Economist and Founder at Matatihi
Ōraka Aparima | Ngāi Tahu | Kāti Māmoe

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