




F2F Advanced Practice Forum  
February 22-23, 2019


## Focusing on At What Worth

Presented by  
John Bohley, and Richard Stringham  
With contributions from Bill Charney

Govern for Impact  
Advanced Practitioners' Forum  
San Antonio, Texas February 2019

www.governforimpact.org 


F2F Advanced Practice Forum  
February 22-23, 2019



## Policy Governance Principle #4: Ends

“The board defines in writing its expectations about the intended effects to be produced, the intended recipients of those effects, and the intended worth (cost-benefit or priority) of the effects. These are *Ends policies...*” (Underlining added by presenters for emphasis.)

Carver Policy Governance Guides (2009)

www.governforimpact.org 


F2F Advanced Practice Forum  
February 22-23, 2019




## Is “At What Worth” worth it?


www.governforimpact.org 

F2F Advanced Practice Forum  
February 22-23, 2019




## Carver Quotes

- “The board’s broad purpose is that there be a justifiable relationship between ‘units’ of results (for the right people) and resources consumed.” (Carver handout for IPGA board training session with Miriam Carver)
- “Requiring that there be a favorable relationship between input and output is the greatest fiduciary responsibility that a board has.” (Carver Guide: Ends and the Ownership, 2009)
- “The organization’s chief accountability is that the organization it governs produces enough of the right changes for enough of the right people to justify the resources consumed.” (Carver Guide: Ends and the Ownership, 2009)

www.governforimpact.org 

F2F Advanced Practice Forum  
February 22-23, 2019




# Key Concepts

for At What Worth

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## At What Worth – Key Concepts

- Benefits in Relation to Costs:
  - Cost-Benefit: Are the results worth the costs?
  - Efficiency: Are the results being produced efficiently?
- Priority: What’s the relative worth/priority of selected benefits and beneficiaries


www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## Benefits in Relation to Costs

Are enough of the right results being produced for enough of the right people to justify the resources consumed?




www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## Cost-Benefit: The value of the benefits compared to the value of the costs



www.governforimpact.org

The materials provided by the faculty for this GOVERN for IMPACT 2019 Face-to-Face Advanced Practice Forum are of a proprietary nature. Any replication of the materials or providing them to a third party without the explicit consent is prohibited.


F2F Advanced Practice Forum  
February 22-23, 2019




## Return on Investment


(Value of benefits – cost or investment) / Cost or investment x 100%= ROI

Example: Invest \$100  
Now Worth \$150  
ROI=??%




www.governforimpact.org 

F2F Advanced Practice Forum  
February 22-23, 2019




## Converting Non-Monetary Results/Benefits to Financial Values

- SROI (Social Return on Investment): places a financial value on social benefit produced in order to compare the value of the benefit with the value of the investment (resources consumed)


www.governforimpact.org 


F2F Advanced Practice Forum  
February 22-23, 2019




## Comparing Efficiencies

Light source	Halogen (100 W)	LED (7.5 W)
Cost over 15000 hours	\$209.77	\$31.35
Outcome	1600 lumens	800 lumens
Cost/lumen over 15000 hours	\$0.1311	\$0.0392




www.governforimpact.org 


F2F Advanced Practice Forum  
February 22-23, 2019



## Priority or Relative Worth




- Board may determine the relative worth or priority among selected results and beneficiaries.
- Is a given result worth:
  - Results foregone?
  - Unintended consequences (e.g. loss of support of those who would elevate other priorities, social/environmental costs, etc.)

www.governforimpact.org 

The materials provided by the faculty for this GOVERN for IMPACT 2019 Face-to-Face Advanced Practice Forum are of a proprietary nature. Any replication of the materials or providing them to a third party without the explicit consent is prohibited.

F2F Advanced Practice Forum  
February 22-23, 2019



## Worth at the Broadest Level


The Board expresses, at the broadest level, its directive to the CEO/operating organization as to the intended worth/cost/value of the results to be achieved

Examples:

- "...with results as can be produced \_\_\_:
- ...at a high level of efficiency
- ...worth the cost
- ...at a cost that represents good value
- ...optimizing the use of resources
- ...optimizing return on investment
- ...with results equal or greater than those of similar size districts with comparable mill levies.
- ...with results providing high return on the state's annual appropriation.
- ...worth the investment of tax payer dollars

13 [www.governforimpact.org](http://www.governforimpact.org)

F2F Advanced Practice Forum  
February 22-23, 2019




## Worth at the Lower Levels

May be specified in cost-benefit/efficiency or relative priority terms

- Examples:
  - Priority listing
  - Percentage of overall resources
  - Worth dollars per capita
  - Complete End B before beginning End A, etc.
  - At a level of efficiency equal to or greater than...
  - Not at all – if the board does not specify worth at the lower level, the CEO is allowed to make any reasonable interpretation

14 [www.governforimpact.org](http://www.governforimpact.org)

F2F Advanced Practice Forum  
February 22-23, 2019



## Summary

Notions	Focus	Global Level Ends	Lower Level Ends
Cost-Benefit Analysis	Value of benefit compared to value of cost	Cost-benefit &/or efficiency notions applied at this policy level	Cost-benefit &/or efficiency notions possible but optional at this policy level
Efficiency	Cost per unit of result	" "	" "
Priority	Relative priority/worth of different benefits &/or different beneficiaries	Explicit or implicit in policy development process	Commonly applied at this level but optional

15 [www.governforimpact.org](http://www.governforimpact.org)

F2F Advanced Practice Forum  
February 22-23, 2019




## Interpreting What Worth

16 [www.governforimpact.org](http://www.governforimpact.org)

The materials provided by the faculty for this GOVERN for IMPACT 2019 Face-to-Face Advanced Practice Forum are of a proprietary nature. Any replication of the materials or providing them to a third party without the explicit consent is prohibited.

F2F Advanced Practice Forum  
February 22-23, 2019



## Some Approaches to Interpreting “What Worth”

1. Comparison with other organizations or with our own organization over time
2. Owner valuation of worth
3. Social Return on Investment (SROI)
4. Other approaches?

www.governforimpact.org


F2F Advanced Practice Forum  
February 22-23, 2019



## Approach 1: Comparisons

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## School District – Example of Comparison

- **Board Policy:** ... with student achievement worth the costs.
- **Interpretation:** Compliance will be demonstrated when the school district is reported by the State Department of Education to have achieved an overall performance index of at least 80% with average cost per student remaining below the average for all State school districts with enrollment of between 2500 and 4999 students (the district’s comparison group).

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## School District – Example of Comparison (cont.)

- **Rationale.** The comparison group of similar sized districts in State has an overall performance index of 78%. The district had an overall performance index of 75% with average cost per student 15% below the average for the district’s comparison group. Increasing the district’s overall performance index to 80% seems achievable especially if cost per student can be increased (while remaining below the average cost for the comparison group).


www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## School District Performance and Cost

	Comparison Group	Our School District	Our Target
Performance Index	78%	75%	80%
Average Cost per Student	\$8000	\$6800 (15% below grp average)	< comparison grp average (currently \$8000)

www.governforimpact.org 


F2F Advanced Practice Forum  
February 22-23, 2019




## Reflection: Example of Comparison




- Can we see boards using this approach? Why or why not?

www.governforimpact.org 


F2F Advanced Practice Forum  
February 22-23, 2019



## Approach 2: Owner Valuation of Worth


www.governforimpact.org 

F2F Advanced Practice Forum  
February 22-23, 2019




## County Mental Health System – Example of Owner Valuation of Worth

- **Board Policy:** ... with positive changes to people’s lives worth the investment of taxpayer dollars.
- **Interpretation:** Compliance will be demonstrated when county voters pass the election day issue to approve use of local taxpayer dollars for this purpose. *Rationale.* When county voters (a large segment of the ownership) pass such an issue they are expressing their judgment that results produced are worth the investment of their taxpayer dollars.


www.governforimpact.org 

F2F Advanced Practice Forum  
February 22-23, 2019




## Reflection: Owner Valuation of Worth

- Can we see boards using this approach? Why or why not?
- Are there other approaches to enable owner valuation that we think might work for boards?



[www.governforimpact.org](http://www.governforimpact.org)

F2F Advanced Practice Forum  
February 22-23, 2019




## Approach 3: Social Return on Investment (SROI)

Lessons for determining and measuring “what worth” in Ends policies

From: *A Guide to Social Return on Investment*  
Produced by Society Media: [www.societymedia.co.uk](http://www.societymedia.co.uk)

[www.governforimpact.org](http://www.governforimpact.org)

F2F Advanced Practice Forum  
February 22-23, 2019




## SROI: What is it?

*Social return on investment (SROI) is a principles-based method for measuring extra-financial value (i.e., environmental and social value not currently reflected in conventional financial accounts) relative to resources invested.*

Source: Wikipedia

[www.governforimpact.org](http://www.governforimpact.org)

F2F Advanced Practice Forum  
February 22-23, 2019




## Key questions addressed by SROI

1. Who changes?
2. How do they change? [What is different?]
3. How do you know?
4. How much is you?
5. How important are the changes?

Source: *Starting Out on Social Return on Investment*  
by Social Value UK: [www.socialvalue.org](http://www.socialvalue.org)

[www.governforimpact.org](http://www.governforimpact.org)

F2F Advanced Practice Forum  
February 22-23, 2019




## SROI Principles

- *Involve stakeholders*
- *Understand what changes*
- *Value the things that matter*
- *Only include what is material*
- *Do not over-claim*
- *Be transparent*
- *Verify the result*

SROI requires that all principles are applied. Attaching financial values to targets/results alone is not SROI.

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## SROI Stages

1. *Establish scope and identify key stakeholders*
2. *Map outcomes*
3. **Evidence outcomes and give them a value**
4. **Establish impact**
5. **Calculate SROI**
6. *Report, use and embed*

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## Stage 3: Evidence outcomes and give them a value

- Determining indicators
- Giving value to outcomes

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## Value is Subjective

- Price discovery” in the marketplace
  - Sellers and buyers (recipients)
- The value of social benefits is seldom determined in a marketplace with recipients
  - Recipients may not have “buying power”

www.governforimpact.org




F2F Advanced Practice Forum  
February 22-23, 2019




## Monetization of outcomes

- Financial Proxies
  - Cost savings from outcomes:
    - To the recipients
    - To other stakeholders (e.g., healthcare savings to the state)
  - Income increases from outcomes:
    - To the recipients (e.g., employment)
    - To other stakeholders (e.g., increased taxes for the state)


www.governforimpact.org 

F2F Advanced Practice Forum  
February 22-23, 2019




## More challenging financial proxies

- **Contingent valuation**
  - Ask people directly
    - E.g., Decrease in aircraft noise; Compensation for an increase in crime
- **Revealed preference (hedonic pricing)**
  - Comparing difference of non-homogeneous variables
- **Travel cost method**
  - How much are people willing to expend in travel to access benefits?
- **Average household spending**
  - How much people spend on various categories (e.g., leisure, health)


www.governforimpact.org 

F2F Advanced Practice Forum  
February 22-23, 2019




## Tips for identifying proxies

- Start with stakeholders:
  - Consensus may indicate credible proxies
  - Differences may require:
    - Rethinking the proxies; or
    - Averaging
- External research (academia, industry, government)
- Organizational research


www.governforimpact.org 

F2F Advanced Practice Forum  
February 22-23, 2019




## Stage 4: Establish Impact

- **Deadweight**
  - What proportion of change would have happened without the intervention?
    - Compare to other populations, situations, or benchmarks
- **Displacement**
  - Shift of problem addressed to another location (e.g., crime moving to another neighbourhood)
- **Attribution**
  - How much change from your organization and how much from others?
    - Consult with recipients and/or providers of other relevant services

www.governforimpact.org 

F2F Advanced Practice Forum  
February 22-23, 2019



## Stage 5: Calculating SROI

SROI ratio:


- Value of Benefits/Value of Investment

Net SROI ratio:

- Net Value of Benefits/Value of Investment

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## Non-Profit Addiction Treatment Organization – Example of SROI

- **Board Policy:** ... with treatment outcomes producing a justifiable SROI (Social Return on Investment).

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## Non-Profit Addiction Treatment Organization – Example of SROI (cont.)

- **Interpretation:** Achievement will be demonstrated when the organization's SROI research indicates a net SROI ratio of at least 150% calculated in relation to the following:
  - Reduced healthcare costs
  - Reduced criminal justice costs
  - Reduced government benefit costs (foster care for children of parents with addictive disorders, food stamps, housing, financial assistance)
  - Increased taxes paid (because of increased employment)

*Rationale:* A number of studies of addiction treatment report net SROI's of 150% to 300% and greater.

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019



## SROI - Net Benefit Formula

- $(\text{Impact Value} - \text{Investment}) / \text{Investment} * 100\% = \text{SROI}$


$$(\$450,000 - \$150,000) / \$150,000 * 100\% = \text{SROI}$$

$$\$300,000 / \$150,000 * 100\% = \text{SROI}$$

$$2 * 100\% = 200\%$$

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## Some SROI Operational Options

- An organization tracks a sample of its own clients using its own staff and/or graduate students or volunteers.
- A number of organizations engage in joint tracking of a sample of their clients.
- Assume the value of the treatment outcomes your organization is producing is similar to the available research if your organization is producing results comparable to results reported in the research.

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## Calculating SROI for Multiple Years of Impact

Projecting discounted impact into the future less drop-offs:

- **Drop-off**
  - The value of longer-term benefits achieved typically reduces over time
- **Discounting** to determine present value
  - Value of a dollar created today is more than one created next year.
  - Formula:  $PV = FV / (1+r)^n$

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019



## Calculating SROI for Multiple Years of Impact (cont.)

SROI ratio:


- Value of benefits of multiple years/Value of investment

Net SROI ratio:

- Net value of benefits of multiple years/Value of investment

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019



## Sensitivity Analysis (Testing assumptions)

- Best conducted with a spreadsheet
- Consider changes to:
  - Deadweight, attribution, and drop-off
  - Financial proxies
  - Quantity of outcomes
  - Value of non-financial inputs
- How much change to reach \$1 outcome for \$1 input?
  - Identifies which changes create most significant impact
    - More sensitive indicators point to priorities for resources to manage the indicator

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## SROI Concepts Similar to Policy Governance Monitoring Concepts

- Measure what matters
- Identify indicators of outcomes achievement
- Actual numbers before and after the activity

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## SROI Concepts not usually referenced in Policy Governance literature

- Financial proxies do not require that “money actually changes hands”
- Avoid double counting (i.e., counting the same value for the same stakeholder, twice)
- Marginal costs rather than unit costs due to fixed costs (e.g., reduced numbers of prisoners)
- Following conclusion of the activity/intervention, it may continue to create value: therefore, creates additional worth
- Payback period: how long before social outcomes exceed cost?
- Resources used to measure and estimate should be appropriate for the organization
- Sensitivity analysis

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## Questions arising from SROI for What Worth


- 1) Can the value of outcomes be applied to the difference for either the primary intended recipients or to other stakeholders (e.g., funders, donors)?
- 2) Is getting valuation from recipients a useful source of determining worth in its Ends policies?
- 3) Scalability of SROI methods? Can they be applied to smaller organizations?
- 4) Is sensitivity analysis a governance function or a management tool?

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## Reflection: Social Return on Investment



- What elements of SROI can help our boards address at what worth issues?
- What elements of SROI can help our CEOs demonstrate accountability for what worth components of Ends?

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019



## Considerations for application of What Worth

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## Worth Component of Ends Policies Development

- Integration of three Ends components
- Consider aspects such as:
  - Deadweight
  - Displacement
  - Attribution
- Consider level of ambition

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019



## Worth Component of Ends Policies Development (cont.)

- Policy Sizes:
  - Broad: E.g., “Homeless people in our community will have two nourishing meals per day, for the optimization of resources used”
  - More specific: E.g., “The cost of food shall be no greater than comparable organizations delivering similar benefits.”
  - Much more specific: E.g., “The cost of food shall not exceed \$xx per person per day.”

www.governforimpact.org

F2F Advanced Practice Forum  
February 22-23, 2019




## Worth Component of CEO Interpretations

If using comparisons:

- CEO must justify the comparison being used including the threshold of achievement

www.governforimpact.org


F2F Advanced Practice Forum  
February 22-23, 2019




## Worth Component of CEO Interpretations

If using owner valuation:

- Use methods that focus on the value of the intended results (not the means)

www.governforimpact.org 


F2F Advanced Practice Forum  
February 22-23, 2019




## Worth Component of CEO Interpretations

If monetizing benefits produced:

- CEO must provide a method to include financial\* proxies if the policy has not already done so.
- Proxies not only indicate what will be measured, but also a justifiable level of achievement that will demonstrate compliance
- Level of worth achievement might factor in:
  - Level of impact
    - Deadweight
    - Displacement
    - Attribution
  - How future projected impact is calculated including drop-off
  - Discount rates

www.governforimpact.org 


F2F Advanced Practice Forum  
February 22-23, 2019




## Evidence of Achievement of Worth Component

Collecting data re:

- Actual cost of inputs/investments (e.g., putting a monetary value on volunteer labour to achieve Ends)
- If monetizing, determine value of results realized for beneficiaries:
  - Actual, inferred, and/or predicted?
  - Sampling?

www.governforimpact.org 


F2F Advanced Practice Forum  
February 22-23, 2019

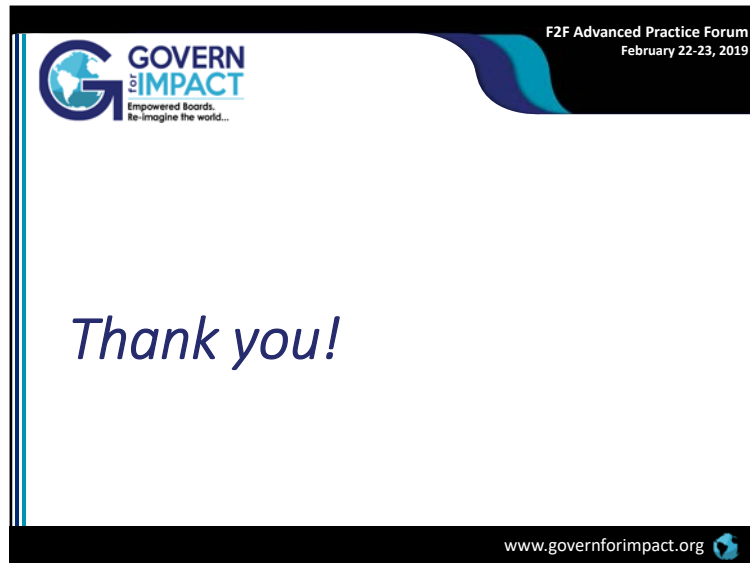


## Discussion

Is “at what worth”, worth it:

- a) As a frame of reference for board deliberations (e.g., deadweight, unintended effects, attribution, community competitors/ collaborators)?
- b) As a specific component of Ends policies?
- c) As a specific component which needs to be interpreted and monitored?

www.governforimpact.org 



The materials provided by the faculty for this GOVERN for IMPACT 2019 Face-to-Face Advanced Practice Forum are of a proprietary nature. Any replication of the materials or providing them to a third party without the explicit consent is prohibited.