Measuring Social Enterprise Value Creation

THE CASE OF FURNITURE BANK

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This article presents a case study that explores the creation of value by a social enterprise, Furniture Bank, for its stakeholders. The study is undertaken using the social return on investment framework. The case highlights insights and caveats that resulted from undertaking this type of analysis. This article calls for an integrated approach to social return on investment processes, incorporating both conventional accounting and social accounting.

Keywords: social enterprise, social return on investment, case study

ALTHOUGH THERE ARE A PROLIFERATION OF TOOLS to help social organizations understand their impact (Clark et al. 2004; Den Sociale Kapitalfond 2012; Quarter, Mook, and Armstrong 2009; Tuan 2008), it is still difficult for many of them to document and communicate this in more than an anecdotal way. Intrinsically, we recognize social good, but resource providers are asking for more concrete evidence (Struthers 2013). Funders are concerned with accountability and also want guidance in the allocation of their limited resources. The barriers to data collection about impact are many: limited resources, lack of knowledge, and inadequate information systems (Mook et al. 2005).

Added to this is the emergence of new forms of social organizations such as social enterprises that operate in the market but also create social goods. Here the double (economic and social) or even triple bottom line (economic, social, and environmental) of an organization presents new challenges and opportunities in measuring impact. Although these multiple bottom lines often complement each other, they can also be in tension with each other. It is a complex process to operate sustainably in the market while also trying to maximize social good. Without information systems that capture data for both bottom lines, monitoring them can be very difficult.

This case study of Furniture Bank, a nonprofit social enterprise in Toronto, Canada, explores how to measure and report the value created by the organization in relationship to its financial health and sustainability. As such it is not intended to be generalizable, but it is undertaken to allow for an in-depth exploration of a complex topic (Yin 2014). It builds on a

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previous study that examined stakeholders’ perspectives of organizational impact through the lenses of stakeholder theory and crowdsourcing (Chan, Mook, and Kislenko 2014). In that study, we asked three research questions: (1) What is the impact of Furniture Bank? (2) What are the opportunities for Furniture Bank to increase its impact? (3) How would the community be different if Furniture Bank did not exist? We found that according to stakeholders, the impacts of the organization ranged along a continuum affecting individuals to society at large.

In this study, we explored how to measure and report the value created by the organization through the lens of social return on investment (SROI). In particular, we studied two key stakeholder groups: (1) clients and (2) corporations providing volunteers for Furniture Bank’s corporate volunteer program.

Framework

The framework used in this study is social return on investment, in particular, the SROI approach published by the Cabinet Office, Office for the Third Sector in the UK (Nicholls et al. 2012). Social return on investment incorporates social accounting and cost-benefit analysis. From social accounting it takes a stakeholder approach and considers economic, social, and environmental factors (Mook et al. 2005). Thus, it provides a broader perspective of performance than conventional accounting, which considers only financial items. From cost-benefit analyses, it compares total costs to total benefits to evaluate a particular intervention (Arvidson et al. 2010).

Social return on investment is an approach that starts with the recognition that value is created and destroyed in multiple ways. However, for the most part what is measured and accounted for is only what can be captured in financial terms (Nicholls et al. 2012). The SROI approach includes social and environmental value by using market proxies, with money as the common unit to convey value (Nicholls et al. 2012).

There are seven principles that underlie the application of SROI: (1) involve stakeholders; (2) understand what changes; (3) value the things that matter; (4) only include what is material; (5) do not over-claim; (6) be transparent; and (7) verify the result (Nicholls et al. 2012, 9). These principles are applied to the six stages of carrying out an SROI:

1. Establishing scope and identifying key stakeholders
2. Mapping outcomes
3. Evidencing outcomes and giving them a value
4. Establishing impact
5. Calculating the SROI
6. Reporting, using, and embedding (Nicholls et al. 2012, 9–10)

Approaches to SROI vary from looking at one particular program to an entire organization. It can be “evaluative, which is conducted retrospectively and based on actual outcomes that have already taken place,” or a “forecast, which predicts how much social value will be created if the activities meet their intended outcomes” (Nicholls et al. 2012, 8).

Although around since at least the late 1990s (Emerson, Wachowicz, and Chun 2000), the social return on investment approach has experienced exponential growth since 2009 (Krlev,
Münscher, and Mülbert 2013). One hundred fourteen such studies were identified by Krlev and colleagues (2013) in their analysis of published SROI studies between 2000 and early 2012. Banke-Thomas and colleagues (2015) identified 156 studies conducted between 1996 and 2014. SROI studies have been conducted predominately in the United Kingdom, but also in Canada, the United States, Australia, and continental Europe (Krlev et al. 2013). In the Krlev et al. (2013) study, the top four fields of SROI application were work integration (32 percent), life coaching/assistance (19 percent), environment (13 percent), and education (9 percent); and the top three target groups were youth (27 percent), local community (21 percent), and disabled people (9 percent) (Krlev et al. 2013).

The remainder of this article presents a short description of our case study organization, Furniture Bank; how we conducted the study; our findings; and a discussion of our results.

Furniture Bank

The concept of Furniture Bank started with Sister Anne Schenck, a former high school principal who was then running a refugee center in Toronto. In the late 1980s, the government had reduced funding to support refugees to Canada, and many had nothing more than an empty apartment. Around that time, Sister Anne visited a Somalian refugee family of five for dinner and found that they ate and slept on the floor. As she returned home, she came across a gently used sofa on the curb, left for pickup and disposal in the landfill. From this experience, she got the idea of facilitating the transfer of gently used items to those in need. Furniture Bank was incorporated as a charity in 1998, and grew from an all-volunteer organization to one that currently has more than forty employees, supported by more than a thousand volunteers (Furniture Bank 2014a).

The mission of Furniture Bank is to transfer gently used furniture and household goods donated by individuals or corporations to people who have recently transitioned out of homelessness, women and children escaping abusive situations, and refugees and newcomers to Canada. Over the years, however,

Furniture Bank has evolved to become much more than about a simple transfer of furniture from those who have to those who don’t. The Furniture Bank movement is one of empowerment—of individuals transitioning out of homelessness, of women and children escaping abusive situations, of refugees and newcomers to Canada. We realize that furniture plays a powerful, albeit silent, role in our lives. We are all indebted to the use of furniture to live fulfilling lives – just try studying for an exam, resting after a hard day’s work, preparing a meal, or raising a family. Without furniture, even mundane tasks are near impossible. Over the years, we have built up partnerships with a growing list of social service agencies and shelters who play a critical role in ensuring anyone in need of a fresh start is invited to our showroom and given the dignity of choosing the items of furniture they would like to have in their homes. (Furniture Bank 2014b, 1)

Methodology

In this study, we undertook case study research. This is a common approach used in fields of accounting and management, especially for in-depth use-inspired research in real-life
contexts (Bruns 2014; Spicer 1992; Yin 2014). Within the case study approach, we include survey research and document review as part of the data analyzed.

In our analysis, we looked at economic, socioeconomic, and social value creation. Although we were particularly interested in documenting value creation from the stakeholders’ perspectives, we also recognized that this needed to be placed within a financial context. In other words, we were concerned with determining whether the level of resources dedicated to the activities of the organization was adequate to ensure its sustainability, as well as understanding the longer-term social impacts as they related to the mission of the organization.

Other important factors that we considered were the ease of using the methodology and the resources required to undertake the analysis. These considerations were important because if the model were to be useful, it had to be feasible for organizations with limited time and resources to implement it.

As noted, we utilized the manual *A Guide to Social Return on Investment* (Nicholls et al. 2012), an internationally recognized approach to SROI developed in the United Kingdom. As stated previously, there are two types of SROI: evaluative and forecast. In light of the study’s time frame, our SROI used historical information for inputs and outputs and took a forecast approach for outcomes. In other words, we were not able to measure the actual outcomes, because this required a longitudinal study, but we could forecast using prior research to set a range of possible outcomes. We now look at the main stages of our study.

**Establishing Scope, Outlining a Theory of Change, and Identifying Stakeholders**

Our first step was to set the scope of the study and determine the main question we wanted to answer: how to measure and report the value created by the organization through the lens of social return on investment.

The research team decided that it would look at the activities of Furniture Bank over two fiscal years: 2013 and 2014. This was done for a couple of reasons. First, there have not been many SROI studies conducted over more than one year, and we believed we could bring new insights to the field by seeing what we could learn from analyzing the similarities and differences over two years. Second, in terms of Furniture Bank’s financial performance, 2013 resulted in a deficit balance on the statement of activities (income statement), while 2014 was a turn-around year (Furniture Bank 2014c, 2015a). We were interested in seeing how this would be reflected in a traditional SROI analysis.

Next, Furniture Bank staff and an outside consultant developed a theory of change for the organization to help us understand its overall functioning (Figure 1). A theory of change starts with long-term goals and then uses backward mapping to identify the preconditions and interventions necessary to achieve that goal (Center for Theory of Change 2013). It is completed to “understand how, when and why good is being done” (Weiss 1995, 90).

For Furniture Bank, there are two main streams of social impact to which the organization contributes. First is the stream of furniture recipients, leading to the outcomes of comfort and dignity. The second stream is that of participants who have had difficulty getting or maintaining employment in the past. Through training and employment in the Furniture Link pickup and delivery service, a subsidiary organization started by Furniture Bank,
they are prepared for future stable employment. The ultimate impact of both streams is to empower individuals to participate in, contribute to, and connect with the larger society. Another activity of the organization is the provision of group volunteer opportunities for corporations and community organizations. A further benefit of Furniture Bank’s activities is the diversion of furniture from landfills.

Our next step was to identify the stakeholders of Furniture Bank. Stakeholders are those groups who are affected by or affect the organization. To identify the key stakeholders who were affected by or affect Furniture Bank, the team went through an exercise in which we followed a piece of furniture from the donor’s home to the client. We identified multiple stakeholder groups: individual donors (financial donors, furniture donors, volunteers); staff; customers (furniture pickup and delivery); corporate donors (grantors, furniture donors, volunteer groups); nonprofit donors of money and labor (foundation grantors, agency case workers, volunteer groups from nonprofit organizations); and public sector donors of money and labor. Taking into consideration the resources available to undertake this analysis, we decided to focus on two stakeholder groups: clients and corporations who participate in the corporate volunteer program. By focusing on clients, we could communicate the social value Furniture Bank was creating to both grantors and donors; by focusing on corporations participating in the corporate volunteer program, we could continue to build that program.

**Determining Inputs**

The next stage was to determine the inputs that went into the operation of Furniture Bank for 2013 and 2014. The *Guide to Social Return on Investment* refers to inputs as “the contributions made by each stakeholder that are necessary for the activity to happen” (Nicholls et al. 2012, 85). This includes financial, in-kind, and volunteer contributions, as well as use
of equipment. We categorized inputs by stakeholder group while also identifying which sector of the economy they represented (Tables 1 and 2).

For nonmonetary items such as furniture and volunteer labor, a market value was applied. To determine the value of furniture donated, prices were based on what sellers of furniture might gain through classified ads. These values were adjusted for furniture that did not meet the criteria of Furniture Bank and was subsequently recycled, given to Goodwill, or taken to the landfill. To place a value on the furniture from the clients’ perspective, our standard was used furniture in a secondhand store. These values were obtained from a market survey done by the organization.

To place a value on volunteer labor, a replacement cost method was applied. This method uses the average wage rate for employees in occupations that are similar in tasks and skill level...
as those in the volunteer positions (Pocock and Barker 2005). For volunteer labor at Furniture Bank, rates for individual and corporate volunteer hours not including the board were obtained from Statistics Canada NOC-S average of rates for clerical (B4-B5) and warehouse (H8) tasks, 2013: $19.58/hour; 2014: $19.805/hour (Statistics Canada, 2015). For the board, NOC-S category A0 (senior management) was used, 2013: $48.11/hour; 2014: $46.65/hour (Statistics Canada, 2015). Total volunteer hours for 2013 were 9,107 and for 2014, 11,734.

For both years, contributions by individuals constituted by far the majority of resources provided: 63 percent in 2013 and 74 percent in 2014 (Tables 1 and 2). This included donations of money, furniture, and volunteer labor as well as fees paid for furniture pickup by furniture donors and fees paid for furniture delivery by clients. Public sector contributions consisted mostly of grants from the City of Toronto. Nonprofit donors provided grants through foundations and volunteer labor through community organizations. Corporate donors provided furniture, grants, and volunteer labor through corporate group volunteer programs. Some of these contributions qualified for a tax credit, a benefit to the donor from public sector monies. Furniture Bank contributed funds from reserves in 2013, as well as the use of capital equipment such as trucks and office equipment. In 2014, there was a small surplus, which was put into reserves for future years.

Understanding What Changes for Key Stakeholder Groups

As mentioned previously, we focused on two key stakeholder groups: the clients who receive furniture and the companies who send corporate volunteer groups. Because of limited resources, we recognized that we could not do an extensive analysis; however, by looking at these two groups we set the groundwork for further study.

Clients

In 2013 and 2014, Furniture Bank served 2,670 and 2,587 client households representing 5,487 and 5,351 individuals, respectively. Of the client households served, in 2013, 39 percent were formerly homeless, 36 percent were women and children leaving abusive situations, 19 percent were refugees, and 6 percent other. In 2014, 31 percent were formerly homeless, 40 percent women and children from shelters, 22 percent refugees, and 7 percent other.

The clients were referred to Furniture Bank by agency partners and received gently used furniture for their new homes. The average market value of the furniture received was based on furniture prices in secondhand furniture shops and calculated to be $1,673 per client for 2013 ($4.47 million in total) and $1,625 per client for 2014 ($4.21 million in total). This means that conceivably equivalent funds were freed up for clients to use elsewhere such as for food and clothing. Clients who used the furniture delivery system also received a benefit. Although clients are charged a minor fee to have their furniture delivered, the delivery fee does not fully cover Furniture Bank’s costs, and Furniture Bank subsidizes the remaining share. The value of this subsidy was calculated as $496,049 in 2013 and $491,102 in 2014.

Because of the difficulties and privacy concerns of surveying the client population directly, to determine the degree to which receiving furniture affected their quality of life we relied on the perspectives of their agency case workers. Each case worker on average deals with about thirty-three clients in a year. As part of an online survey (see Appendix A) conducted previously,
case workers were asked to select impacts that they believed Furniture Bank was making in the community. The results are illustrated nicely by this comment made by a case worker:

[Receiving furniture] helps people create a home that is more comfortable including desks or tables for families to help children with their homework, and beds so that the family sleeps better. These supports can help promote positive mental health and more resilient families and children. Funds that do not have to be used on furniture can be used for food, transportation, back-to-school needs, health needs, clothing, etc. It takes pressure off families including newcomers, refugees, young households and those who have been homeless. Giving furniture alone does not reduce homelessness, however, having furniture helps create “home.”

Following this insight, we looked to studies with similar populations and found that improved housing conditions, including having one’s own furnishings, leads to feelings of safety and serenity, which affect quality of sleep, social interactions, and daily routine (for instance, see studies of slum dwellers in Simonelli et al. 2013, and homeless women in Walsh, Rutherford, and Kuzmak 2009). Indeed, living on the streets or in shelters is discomfiting for many and can have a major impact on sleep (Chang et al. 2015; Walsh et al. 2009).

Research also shows that deprivation of sleep, or insomnia, can have a significant toll on physical and mental health (Ozminkowski, Wang, and Walsh 2007). For instance, in a study of nearly 3,500 patients at five different clinics in the United States, insomnia patients had significantly more emergency room visits, calls to the doctor, over-the-counter drug use, and lower health-related quality of life in general than non-insomnia patients (Hatoum et al. 1998). Similarly, Ozminkowski and colleagues (2007, 263) conducted a study of 138,820 patients with insomnia and an equal number without to determine the direct and indirect costs of untreated insomnia in adults. They found that insomnia patients as compared to those without insomnia had increased inpatient, outpatient, pharmacy, and emergency costs, as well as increased indirect costs related to increased absenteeism from work and increased use of short-term disability programs. On average, based on this large sample, the total of all these costs at that time was estimated to be US$1,253 per patient for a six-month period. These figures, with Canadian dollar equivalents, have since been used in Canadian studies (Skaer 2014).

To monetize the value of alleviating sleep deprivation for the current study, we used the results of Ozminkowski et al.’s (2007) study and adjusted for differences in costs between the US and Canadian health care systems (Organisation for Economic Co-operation and Development 2006). We then converted the value to Canadian dollars, and indexed to 2013 and 2014. The final results were C$2,157 per individual for 2013 and C$2,189 per individual for 2014.

**Corporate Volunteers**

Although we were not able to survey the companies engaged with Furniture Bank directly about their motivation for running employee volunteer programs, or the benefits they derived from them, we were able to access research studies that examined these issues. There is good evidence that employee volunteer programs have a significant positive impact on employee engagement, employee morale, staff retention, how employees feel about the company, competitive business advantage, and healthy communities (see for instance,
Boccalandro 2009; Deloitte 2011; Meinhard, Handy, and Greenspan 2010; Speevak and Kaleniecka 2014; Veleva et al. 2012; Wilson and Hicks 2010). Thus, employer-supported volunteer programs contribute to corporate social responsibility goals as well as human resources development goals.

From an economic perspective, companies benefit in many ways from employer-supported volunteer programs. Companies with highly engaged employees perform better than their peers in earnings per share growth (Gallup 2013). One study found that employees who are highly engaged in their workplace were 26 percent more productive than those who were not as engaged (Watson Wyatt 2009). Research has also found that skills development can be achieved at a lower cost through volunteering programs that are compared to traditional training programs (Wilson and Hicks 2010). In addition, the company benefits in brand recognition and reputation by engaging in community investment activities.

According to Furniture Bank data, twenty-eight companies participated in their corporate volunteer program during the two years of the study, resulting in nearly eight hundred volunteer placements. Almost 90 percent of these placements were from fourteen companies that participated multiple times. The hours contributed through the corporate volunteer program constituted about 20 percent of the total volunteer hours overall.

Evidence suggesting that the Furniture Bank volunteer program was creating a positive impression was documented in Chan et al. (2014). As part of this study, three corporate volunteer groups \((n = 17)\) were asked to respond to two questions as part of their volunteer experience: (1) How were you feeling before, during, and after your visit? Please explain each phase. (2) What has been the impact on you personally by volunteering with us today? Several themes emerged from the analysis of these reflections. The volunteers wrote that before the volunteer experience they were anxious, excited, and curious about what to expect. They reported that through volunteering, they gained confidence and felt useful. They received gratification from seeing the happiness of the clients they were serving, and from using their skills and knowledge to help them. They commented that afterward they were feeling good and wanting to do more. They had gained awareness of Furniture Bank and the precarious situations of the client population. They wanted to tell others about donating furniture. They also expressed how easy it was to make a difference and were grateful to their companies for making the volunteer experience happen.

To monetize and make visible the social value of the impacts of Furniture Bank’s corporate volunteer program, we chose to focus on the savings to the corporation in team-building costs, recognizing that there are other economic benefits that could be monetized with further study. We used the average cost of “philanthropic” team-building activities offered by two different companies in Ontario, working out to $60 per hour per person. Applying this rate to the total hours contributed by corporate volunteers in 2013 \((2,120)\) and 2014 \((1,845)\) resulted in values of $127,200 and $110,700, respectively. Calculating the value of the benefits of engagement and employee retention to the corporations involved was beyond the scope of this study, but could be investigated in the future.

Calculating an Initial Social Return on Investment

As a strategy to overcome the limitations of the inability to directly access the client population, we created a sensitivity analysis that considered a number of scenarios that would give us an upper and lower bound to our calculation of social return on investment. The
variance in scenarios revolved around two items: degree of sleep deprivation and degree of attribution.

To account for the possible variance in degree of sleep deprivation for our main client social outcome, the avoidance of sleep deprivation, we considered each client group separately. Based on the estimates of a number of key experts associated with Furniture Bank, we determined the upper and lower range for each group. For the group of formerly homeless, this lower bound was 75 percent and the upper bound 100 percent. In other words, at the lower end, we estimated that 75 percent of those who were formerly homeless suffered from sleep deprivation while on the street. For women from shelters, these estimates were 50 percent and 75 percent, and for refugees and others, 25 percent and 50 percent. The values we calculated for overcoming sleep deprivation were for one year only. In many cases, it would be months before the client could save enough money to buy furniture, and it would probably be purchased a few pieces at a time. We also recognize there is an impact on the children involved, such as improvements in schooling, but this was beyond the scope of our research to quantify.

To measure attribution, we used two rates. At the lower end we estimated that 20 percent of the effect of improved sleep was due to Furniture Bank. At the upper end, we used the estimate of 50 percent. A sample calculation can be seen in Table 3. In Table 1 we saw the inputs of money, time, and in-kind donations for 2013, which are then adjusted for the effect of tax credits in the column labeled socioeconomic adjustments to inputs. Next economic value creation is presented. This includes the revenues received from delivery services provided to customers and clients ($844,431). Socioeconomic value is further created through the value of the furniture received by clients ($4,468,188), the subsidized portion of delivery services for clients ($496,049), and the value created by the corporate volunteer program in team building for employees ($127,200). The next column shows social value creation. Here we have the value of the avoidance of sleep deprivation for clients ($2,148,372). The next-to-last column provides totals of the value creation by stakeholder and overall. The final column shows the SROI result, calculated by taking the total value created ($8,084,240), and dividing by the total inputs ($3,861,630). In other words, in this scenario, for every $1.00 value of inputs, $2.09 of value is created.

The end results of the full sensitivity analysis are found in Table 4. For 2013, the social return on investment ranged from $1.76:$1.00 to $2.34:$1.00. For 2014, this range was from $1.46:$1.00 to $1.96:$1.00. In other words, for every dollar of inputs that the organization used to conduct its activities in 2013, it was creating value totaling between $1.76 and $2.34. It should be noted that these rates are based on an analysis of changes that occurs for two stakeholder groups only: clients (formerly homeless people, women from shelters, and refugees and others) and corporations (corporate volunteer program). As such, this is a partial account of the value created by the organization. As more stakeholder groups are included in the analysis in subsequent years, these results would change.

Discussion

In this study we set out to explore how the value created by Furniture Bank could be measured and reported using the lens of social return on investment. From our stakeholder analysis, we identified two key stakeholder groups who were important in answering our
### Table 3. Example of Partial Calculation of Social Return on Investment. Scenario: Low Rates of Client Populations Affected by Sleep Deprivation; High Attribution Rate (50%).

<table>
<thead>
<tr>
<th>Inputs (financial, in-kind volunteer hours, and use of equipment) (See Table 1)</th>
<th>Socioeconomic Adjustments to Inputs&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Net Inputs</th>
<th>Economic Value Creation</th>
<th>Socioeconomic Value Creation</th>
<th>Social Value Creation</th>
<th>Totals</th>
<th>SROI (inputs: value created)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual contributors $2,241,679</td>
<td>-$128,895</td>
<td>$2,112,784</td>
<td>$666,444&lt;sup&gt;b&lt;/sup&gt;</td>
<td>$4,468,188&lt;sup&gt;c&lt;/sup&gt;</td>
<td>$2,148,372&lt;sup&gt;d&lt;/sup&gt;</td>
<td>$7,290,596</td>
<td></td>
</tr>
<tr>
<td>Clients $177,987</td>
<td></td>
<td>$177,987</td>
<td>$177,987&lt;sup&gt;b&lt;/sup&gt;</td>
<td>$4,972,188&lt;sup&gt;c&lt;/sup&gt;</td>
<td>$2,148,372&lt;sup&gt;d&lt;/sup&gt;</td>
<td>$7,290,596</td>
<td></td>
</tr>
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<td>Corporate contributors $291,396</td>
<td>-$74,966</td>
<td>$216,430</td>
<td>$127,200&lt;sup&gt;f&lt;/sup&gt;</td>
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<td>Nonprofit contributors $281,119</td>
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<td>$658,257</td>
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<tr>
<td>Not classified $57,388</td>
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<tr>
<td><strong>Totals</strong> $3,861,630</td>
<td>$0</td>
<td>$3,861,630</td>
<td>$844,431</td>
<td>$5,091,437</td>
<td>$2,148,372</td>
<td>$8,084,240</td>
<td>$1.00:$2.09</td>
</tr>
</tbody>
</table>

Note: All figures are in Canadian dollars.

<sup>a</sup> Tax credit amounts are calculated as 30% of the value of donations, with the assumption that 23% of individuals (Curry 2015) and 100% of corporate donors claim their tax credit on their tax return. Source of donations: Furniture Bank database.

<sup>b</sup>Revenues for pickup and delivery services. Source: Furniture Bank database.

<sup>c</sup>Market value of secondhand furniture received by clients. Source: Furniture Bank database and market survey of secondhand furniture.

<sup>d</sup>Value of subsidy for pickup and delivery services provided to clients.

<sup>e</sup>Health and other costs of sleep deprivation based on a population of 75% of formerly homeless clients; 50% of women from shelters; and 25% of refugees and other clients. In addition, an attribution rate of 50% is applied. See Appendix B for a detailed calculation. This is an example of one scenario. Other scenarios were calculated varying the rate of sleep deprivation and the rate of attribution with the results presented in Table 4.

<sup>f</sup>Market value of team-building activities received by corporate volunteers calculated as $60/hour x 2,120 hours for 2013 and $60/hour x 1,845 hours for 2014. Source of hours: Furniture Bank database.
question: clients and corporations participating in the corporate volunteer program. We identified some of the changes for these stakeholders as a result of their interaction with Furniture Bank, and we also noted that the process can only ever present partial results. Not all outcomes can be known or measured over their lifetimes. However, undertaking the process can still be valuable and make available useful information for organizations with limited resources, provided the context and limitations of the data are made clear. This necessitates recognizing the limitations associated with accessing client groups, the impact of assumptions on calculations, the incomparability of results, the unreasonable expectation of undertaking outcome measurement, and the need to consider both the social and the financial bottom lines before making a judgment on the results. We address each of these issues next.

Collecting Data When Privacy Issues Are in Place Is a Challenge

In the case of Furniture Bank, involving clients directly in the study was not an option because the organization did not have access to their contact information. To circumvent this, the perceptions of stakeholders who were closely aligned with the clients (the agency case workers) were used to get a sense of the changes that occurred as a result of receiving furniture. In addition, a sensitivity analysis was performed for a range of impacts and attribution rates. Although it would have been preferable to access the clients directly, the approach we used still provided valuable information that could be used with funders to demonstrate that the organization was thinking about social impact and making an effort to measure it. It also caused the organization to think carefully about the type of client information it needed to collect to demonstrate and monitor its impact in this area, and how it might do so in the future.

Assumptions Make a Big Difference

Assumptions make a big difference when calculating SROI. These include deciding which stakeholders to take account of, what proxies to use, what rates of attribution to use, and how long the impact lasts. It also includes deciding what to measure in the first place. To illustrate this using results from another study, five groups of students were assigned to conduct an SROI analysis of the same organization. Final results ranged from $1.16 per dollar invested to more than $6 (Cooney and Lynch-Cerullo 2014). Differences arose because of the inclusion of different benefits, different calculations of program costs, and

<table>
<thead>
<tr>
<th>Degree of Sleep Deprivation</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
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</thead>
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<td>$1.86</td>
<td>$2.34</td>
<td>$1.57</td>
<td>$1.96</td>
</tr>
<tr>
<td>Low</td>
<td>$1.76</td>
<td>$2.09</td>
<td>$1.46</td>
<td>$1.75</td>
</tr>
</tbody>
</table>

Note: All figures are in Canadian dollars.

*Degree of sleep deprivation: Formerly homeless: Low (75%); High (100%); Women from shelters: Low (50%); High (75%); Refugees and others: Low (25%); High (50%).

**Attribution rate: Low (20%); High (50%).
the assumption of different time horizons and discount rates. With such a range of results, the usefulness of the ratio may seem questionable. This is why transparency of all assumptions is essential.

**A Higher Ratio Is Not Necessarily Better**

In looking at the SROI ratios for Furniture Bank in 2013 and 2014 (Table 4), one might speculate that 2013 was the better year. However, a closer look at the financial statements shows that there was a significant loss in 2013 to the extent that the reserves of the organization were depleted (Furniture Bank, 2014c). Inputs were too low. The organization required a higher level of financial resources in 2013 to break even than it had in past fiscal periods.

In addition, changes in the way programs were operated from year to year also affected the SROI ratio. For Furniture Bank, the valuation rate of donated furniture was changed during 2014. Several delivery trucks were added. If multiple years’ SROI ratios are presented, the significant changes between years should be transparent so that the reader can place these in context.

**It May Be Unreasonable to Expect That Organizations Conduct Outcome Measurement**

There is often a lag time for social impacts to occur. Conducting a rigorous measurement of outcomes over a number of years is challenging and costly, and beyond the realm of most nonprofit organizations. However, this may be within the possibility of a particular funder. A good example of this is the Toronto Enterprise Fund, which supports Furniture Bank. It conducts longitudinal outcome research on the many social enterprises that it funds, and these data could be incorporated into the organization’s SROI analysis (Speer 2014).

**Both Financial and Social Bottom Lines Should Be Considered Together**

Furniture Bank, as a social enterprise, has to be concerned with both its financial and social bottom lines. Although conventional accounting is useful for financial performance, it does not provide evidence of social outcomes. At the same time, the SROI analysis is also limited in that it does not present evidence of financial performance. Funders may be interested in the social return on their investment, but they should also be concerned that their contributions are put to efficient and effective use. This is evident in the findings of this study, where the social return on investment ratio appears higher for 2013, yet the organization had a significant financial loss on its statement of activities.

**Reflections and Next Steps**

Overall, from the management perspective, the process of focusing on measuring social value from a stakeholder perspective was a useful experience. Managers found it was enlightening to consider the creation of social value for multiple stakeholders, not just for clients. Some might question the utility of providing a partial SROI as we did here (a more complete SROI would take several years and significant resources), but funders were appreciative that the
organization was looking at social value in this fashion rather than asking for a more complete SROI number.

By being transparent about the assumptions made and proxies used, ideas to collect new data and additional proxies were spurred. Transparency and educating audiences as to the limitations and scope of the SROI are essential. Indeed, it would be useful for funders themselves to undergo such a process to better understand the nuances of the SROI analyses their grantees prepare at their request.

Although this was a case study of a single organization, it also offered insights that could inspire other organizations and further research. As a supplemental report, the SROI statement is a tool to communicate value creation. However, nonprofits, and particularly social enterprises, have a double bottom line. The SROI process presents information for the social bottom line; however, it does not place this information within the financial context of the organization. It presents information on inputs of resources, but not on how these resources are used up in the creation of social value. To do this, we argue there is a need for integrated financial and social reporting rather than treating them separately. The case study of Furniture Bank illustrates this particularly well. The organization created significant social value in both years of the case study, but there was a different story about its finances that was not reflected in the SROI statement. In all of the case studies of SROI we have examined, this limitation of supplemental SROI reporting was never emphasized, if addressed at all.

As next steps, Furniture Bank will continue to capture social data relating to the changes that its stakeholders undergo to add to future SROI analyses. It is also exploring ways to collect data directly from clients. As next steps for model building and moving the field forward, we recommend a focus on integrated reporting, bringing together financial accounting, social accounting, and social return on investment.

Notes

1. Full details of carrying out an SROI can be found in the Guide to Social Return on Investment at http://socialvalueuk.org/what-is-sroi/the-sroi-guide.

2. Financial and furniture donors received a charitable receipt that could be submitted as a tax credit, which we estimated to be worth 30 percent of the value of their donation. However, not everyone takes advantage of their tax credit. In a study of 2010 data from the Canada Survey of Giving, Volunteering and Participating, only 39 percent of those who donated more than $500 said they intended to claim the tax credit (Hossain and Lamb 2015). Overall, in 2013 only 23 percent of Canadians who made charitable donations claimed the tax credit on their tax returns (Curry 2015).

3. Questions from this survey were also used in Chan et al. (2014).

4. To calculate an estimate for the cost of team building per hour, two sources were used: www.ontarioteambuilding.ca/teambuilding-art-of-giving.php and www.canadateambuilding.com/team-building-canada/#preview.

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Appendix A

Survey Question for Case Workers on Their Perception of the Impact of Furniture Bank

Select the impacts you believe Furniture Bank is making in the community. (Select all that apply.)

- Easing financial burden of clients
- Improving clients’ opportunities for economic and social participation
- Restoring clients’ hope in the future
- Improving clients’ self-esteem
- Improving clients’ self-confidence
- Supporting women and children who are leaving abusive situations
- Creating family stability
- Contributing to children’s development by creating more stable homes
- Improving quality of life in lower income households
- Helping immigrants settle in Toronto
- Increasing community cohesion
- Reducing homelessness
- Creating employment
- Fostering community participation (e.g., through volunteer opportunities)
- Creating opportunities for positive life outcomes for persons who have faced hardship
- Contributing to safer communities
- Improving health in the community
- Reducing government social spending
- Reducing economic disparities
- Environmental conservation by reducing waste going to landfills
- Other (please specify in text box)
## Appendix B

### Example of Detailed Calculation of Social Value of Avoidance of Sleep Deprivation for Clients

<table>
<thead>
<tr>
<th></th>
<th>Number of Adult Clients</th>
<th>Percentage Exposed to Sleep Deprivation</th>
<th>Adjusted Number of Adult Clients</th>
<th>Cost per Individual</th>
<th>Percentage of Change Attributed to Furniture Bank</th>
<th>Final Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formerly homeless</td>
<td>1,671</td>
<td>× 75%</td>
<td>1,253.25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>1,045</td>
<td>× 50%</td>
<td>522.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refugees</td>
<td>637</td>
<td>× 25%</td>
<td>159.25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>228</td>
<td>× 25%</td>
<td>57</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,581</td>
<td></td>
<td>1,992</td>
<td>$2,157</td>
<td></td>
<td>$2,148,372</td>
</tr>
</tbody>
</table>

Note: As shown in Table 3 for clients for the year 2013.

Sources: Number of adult clients: Furniture Bank database; Percentage exposed to sleep deprivation and percentage of change attributed to Furniture Bank: Furniture Bank management and board members; Cost per individual: Based on Ozminkowski et al. (2007).