

FINAL REPORT

THE PRACTICE OF SOCIAL RETURN ON INVESTMENT IN THE TOURISM SECTOR

PREPARED FOR: DESTINATION CANADA

Halifax

Nova Scotia



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A HOLISTIC APPROACH TO SOCIAL RETURN ON INVESTMENT (SROI)

Jasper, Alberta



Social Return on Investment (SROI) analysis in tourism requires a holistic approach to capture and assess the multi-dimensional and interconnected impacts of tourism activities on various stakeholders, environments and communities.

A holistic approach is not feasible when organizations are siloed. It's common for large destination management organizations (DMOs) to have a destination development or sustainability department taking on admirable initiatives, setting the right objectives and conducting measurements, while other departments or divisions take actions that undermine the efforts. Frequently, in many instances, a lack of alignment at the local level generates similar contradictions under the guise of stewardship, sustainability, or social returns. An integrated, holistic approach is essential for achieving genuine social returns on what has been invested.

Understanding these complexities is crucial for accurately evaluating the social return on investment in tourism projects or initiatives. A holistic approach aims to create a more comprehensive understanding and to address the diverse aspects of complex systems, which involves an integration of various perspectives rather than isolating one aspect over another.



Quebec City, Quebec

A holistic approach in the tourism industry is important for several reasons:

1. Comprehensive Understanding:

The tourism industry is complex and interconnected, involving various stakeholders, including travellers, communities, businesses and the environment. A holistic approach allows for a comprehensive understanding of the interdependencies and interactions among these different elements.

2. Integrated Decision Making:

By considering economic, social and environmental aspects together, a holistic approach enables integrated decision making. It helps identify trade-offs and synergies between different sustainability dimensions, ensuring that actions taken in one area do not compromise the overall sustainability of the tourism system.

3. Long-term Perspective:

Sustainability in the tourism industry requires a long-term perspective that considers the needs of present and future generations. A holistic approach helps in assessing the long-term impacts of tourism activities on the environment, society and economy—and guides the development of strategies and policies that promote sustainable practices. A perspective that considers present and future generations is directly tied to the tenets of regenerative tourism, wherein the long-term goal is for tourism to ultimately benefit everyone involved.

4. Stakeholder Engagement:

A holistic approach involves engaging various stakeholders, including communities, businesses, travellers and government agencies. By considering the perspectives and interests of different stakeholders, it promotes inclusivity, collaboration and shared responsibility in achieving sustainable tourism.

5. Resilience and Adaptability:

The tourism industry is vulnerable to various external factors, such as climate change, natural disasters and socioeconomic changes. A holistic approach to sustainability helps in building resilience and adaptability by considering the interplay between environmental, social and economic factors—and developing strategies to mitigate risks and enhance the industry's ability to cope with challenges.

Overall, a holistic approach to tourism recognizes the interconnectedness of different dimensions and stakeholders, promotes integrated decision making, and ensures the long-term viability and resilience of the industry.

DEFINITION OF SROI

Peggy's Cove, Nova Scotia



What is SROI?

Narrow definition (SROI as an evaluation tool)

SROI analysis is used to demonstrate the social impact of Corporate Social Responsibility (CSR) efforts by assessing the blended return of investments in social or community ventures. It goes beyond traditional financial metrics and incorporates economic, social and environmental value creation. By using cost-benefit analysis techniques, SROI compares the resources invested to the benefits generated. This analysis helps to quantify and measure the social value created by CSR initiatives, allowing corporations and other organizations to demonstrate the positive social change resulting from their investments. It provides a tool for evaluating social impact, informing investment decisions and tracking performance, in order to justify and further support CSR efforts.

Broad definition (SROI as a tool to support a paradigm shift)

SROI assists tourism organizations in measuring the social impact of their investments by providing a framework and methodology to evaluate the environmental and social value created in addition to the financial value. It uses cost-benefit analysis techniques to compare the resources invested to the benefits generated. SROI helps organizations understand how they meet stakeholders' objectives and create change by identifying indicators of those changes and assigning them financial values. It can be used to assess social impact after investments have been made, inform investment decisions by identifying opportunities with the greatest social impact, and track performance through projections, strategic planning and performance assessment.

Why SROI?

If tourism organizations fail to act responsibly and neglect to calculate their SROI, they risk severe consequences both for their own sustainability and the future of the places where they operate. Without responsible practices and SROI considerations, these organizations might face diminishing community support, damaged reputation and strained relationships with local stakeholders. This lack of accountability could lead to negative environmental impacts, cultural degradation and socioeconomic imbalances within the destination. The future of the organization becomes precarious as it may suffer from declining visitor numbers, regulatory challenges and loss of trust from travellers and locals alike. Ultimately, without responsible actions and SROI calculations, tourism organizations risk not just their own viability, but also endanger the long-term wellbeing and resilience of the places where they operate.



SROI provides:

- Economic Benefits:**
 Tourism can stimulate economic growth by creating job opportunities for residents, generating income through tourism-related businesses and attracting investments in infrastructure development.
- Increased Revenue:**
 Tourism can contribute to the local economy through the generation of revenue from visitor spending on accommodations, dining, transportation, shopping and attractions. This revenue can be used for public services, community development and improving the quality of life for residents.
- Cultural Preservation:**
 Tourism can promote the preservation and celebration of local culture, traditions and heritage. It can encourage the revitalization of traditional crafts, arts, music and dance, leading to the preservation of cultural identity and the transmission of cultural knowledge to future generations.
- Infrastructure Development:**
 The growth of tourism often leads to the development of infrastructure such as airports, roads, hotels, restaurants and recreational facilities. These infrastructure improvements can benefit both travellers and residents by enhancing accessibility, transportation and overall quality of life.
- Environmental Conservation:**
 Tourism can create incentives for the conservation and protection of natural resources and ecosystems. It can promote sustainable practices, such as eco-tourism and responsible tourism, which aim to minimize negative environmental impacts and preserve the natural beauty of destination areas.
- Community Engagement:**
 Tourism can foster community engagement and social cohesion by encouraging interaction between travellers and residents. This can lead to cultural exchange, mutual understanding and the development of cross-cultural friendships, promoting inclusion and an appreciation of diversity.

Methodology for Conducting SROI

The internationally standardized SROI methodology outlined in *A Guide to Social Return on Investment* includes the following steps:

1. Defining Scope and Identifying Key Stakeholders

It's crucial to outline the boundaries and participants for the analysis.

2. Creating Outcome Maps

Engaging with stakeholders helps develop an impact map showing the relationship between inputs, outputs and outcomes.

3. Validating Outcomes and Assigning Value

This phase involves sourcing data to demonstrate outcome achievement and assigning a value to them.

4. Determining Impact

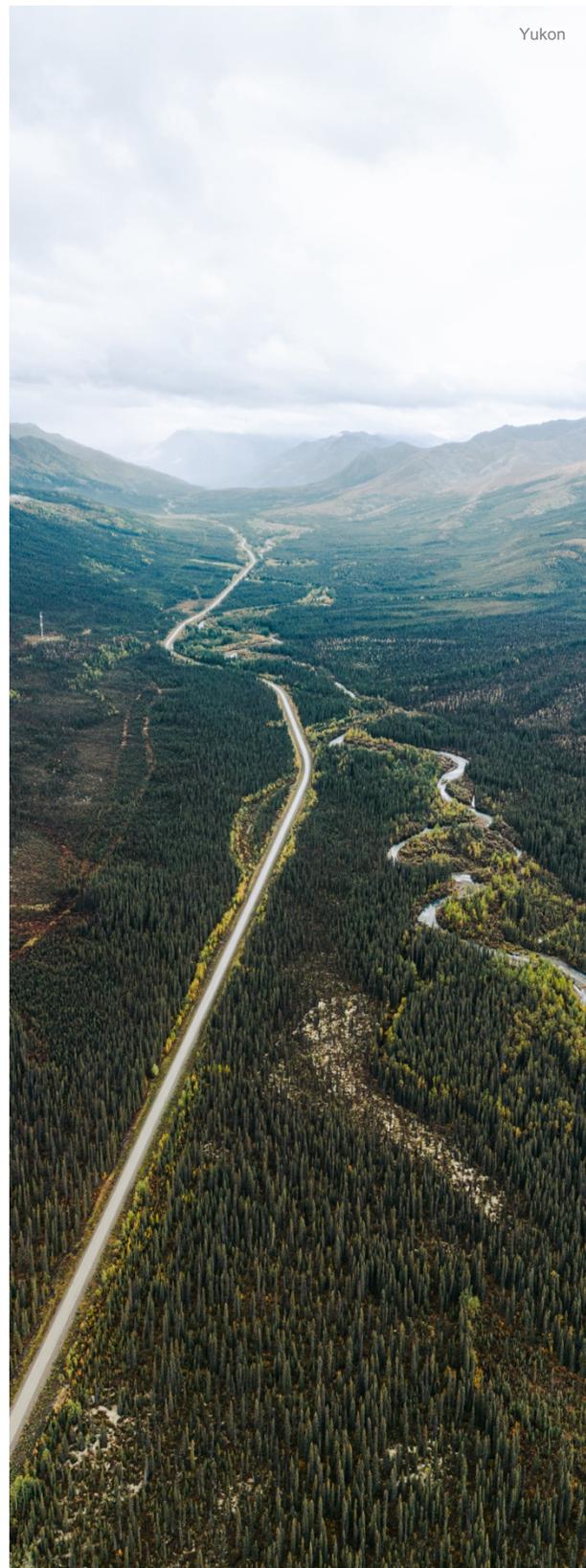
Evidence collected on outcomes is assessed to eliminate changes influenced by other factors or which would have occurred naturally.

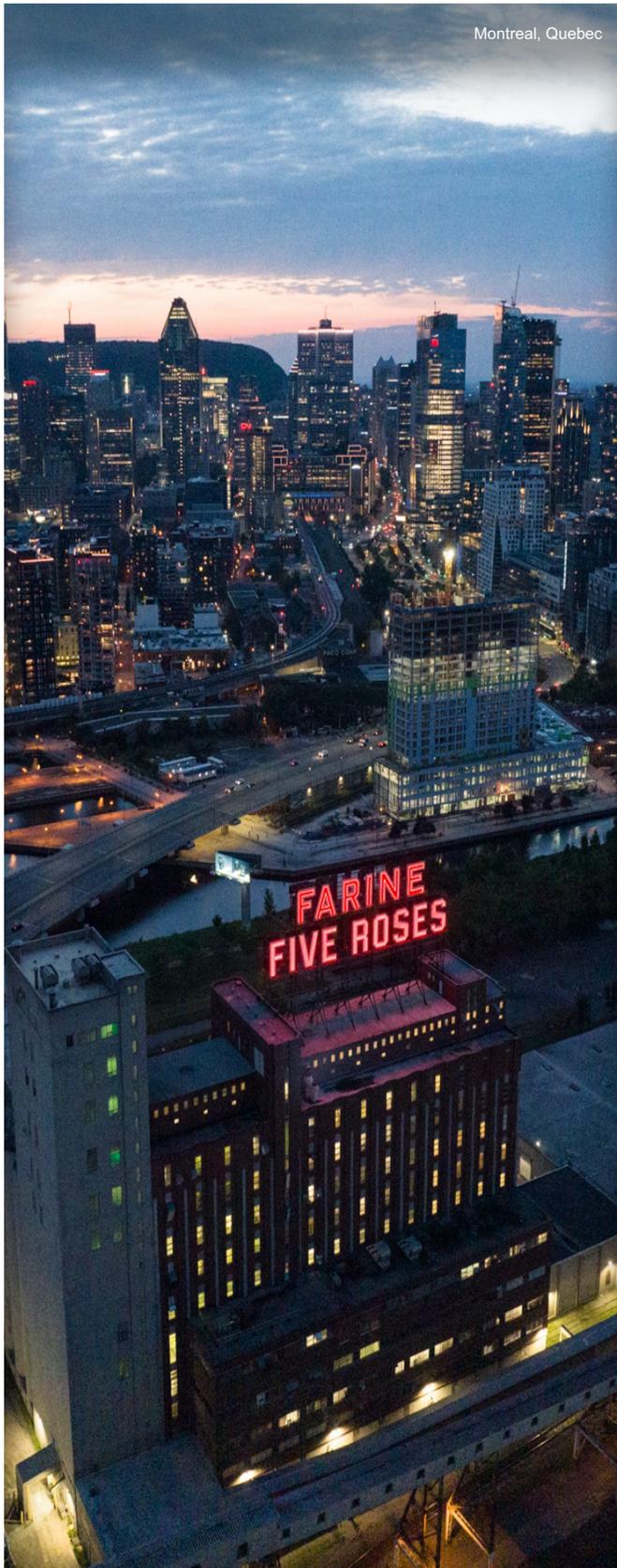
5. Calculating the SROI

This stage involves adding up all benefits, subtracting any negatives and comparing the outcome with the investment. It's also a phase where result sensitivity can be tested.

6. Reporting, Use and Integration

Often overlooked, this final step involves sharing findings with stakeholders, integrating positive outcome procedures, and verifying the report.





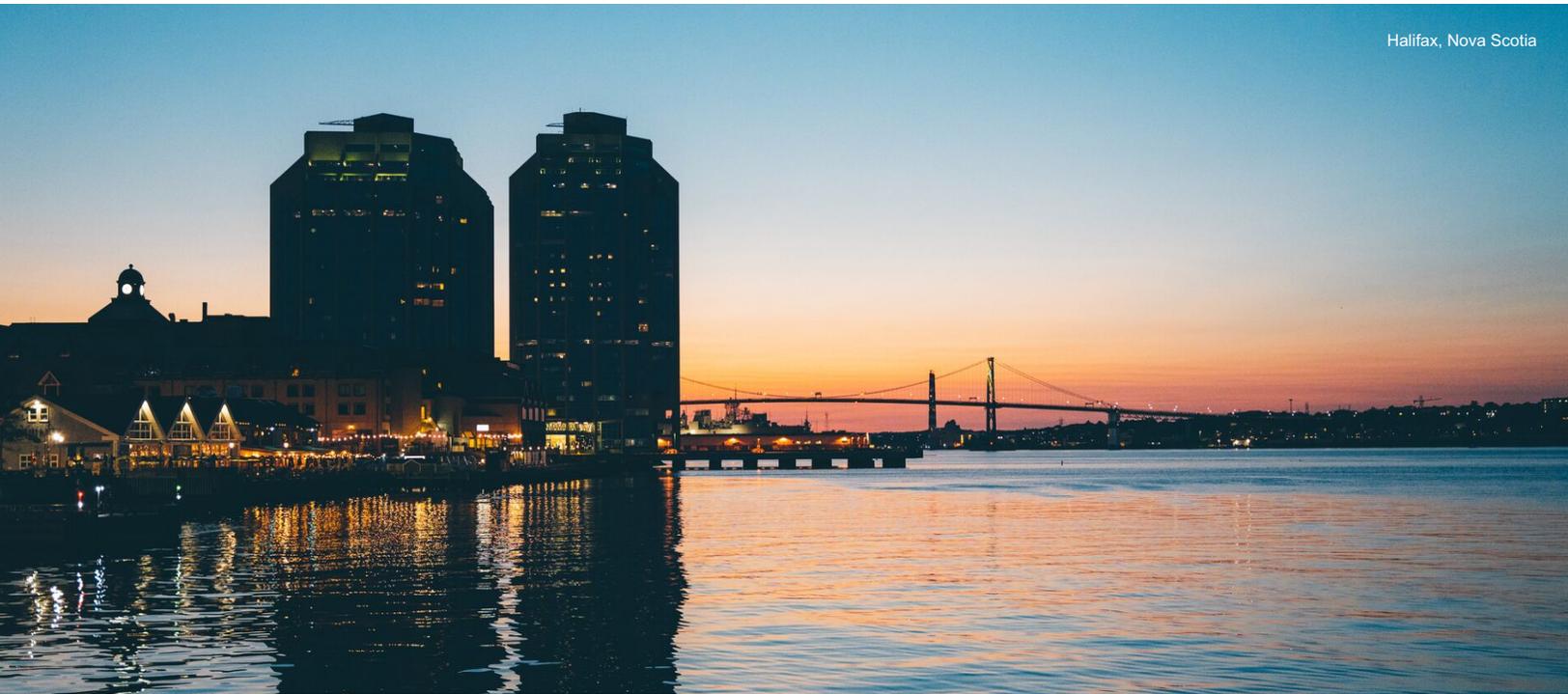
Investment versus Social Return

To provide an honest and comprehensive overview, it's essential to acknowledge that the idea of investing for social return faces considerable debate and criticism. Researchers exploring stewardship, place management, social equity and the environmental impact of tourism sometimes disagree. Broadly speaking, many authors challenge the connection between social justice, climate action and profitability, specifically within financial mechanisms. While a prevailing belief in finance is that climate and social solutions must be financially viable to garner support, numerous academics argue that addressing sustainability challenges might necessitate actions that do not immediately align with profits or conventional economic growth.

Criticism is directed at conventional strategies such as “win-win” and “green growth,” which are viewed as ineffective in significantly altering greenhouse gas emissions and social effects on society. Many doubt that without addressing climate issues, global social injustices can be averted. These scholars emphasize the critical issue of our current economic profit measurement, which disregards climate and social factors. They do not just question the meaning of reported profits without considering social and ecological costs—they go further to advocate a fundamental re-evaluation of the very concept of profit itself. They propose a need for a profound rethink within our economic system, acknowledging that efforts to combat climate disasters and social injustice may disrupt economic growth and profits as currently measured. Their stance often revolves around advocating for a shift from a “win-win” mindset to a “must-do” approach in addressing the climate crisis and social injustices, even if it challenges prevailing profit-oriented measures.

TYPES OF SROI

Halifax, Nova Scotia



Having a strategy is one thing, measuring performance is another. Deciding what type of SROI you need is the first step to measuring it. There are two major types of SROI: **forecast and evaluative**.

Forecast Analysis

A forecast analysis occurs before implementing a social impact program or for testing a new tourism-related development. It's a type of predictive tool that enables organizations to determine potential social value from the initiative.

Forecast analysis helps implement relevant metrics and data collection processes before launching a program or project. It also helps leaders figure out how monetary resources can be targeted to create the most impact.

Evaluative Analysis

As the name indicates, this type of analysis is implemented either following the conclusion of a program, or after a program or initiative has been operating long enough to generate enough data to evaluate.

In reality, there are not many instances of forecasted SROI in tourism due to the limited resources and capacity within DMOs to compute it. Nevertheless, we are pleased to have discovered an intriguing case that serves as an example of how to use SROI calculations as a guiding principle for your endeavors.

Canoe Cove, Prince Edward Island



PITFALLS OF SROI

DMOs are increasingly drawn to the SROI method to evaluate the social impact of programs, investments or networks. While many claims about the benefits of SROI have been expressed, various points of criticism have also been raised. On the basis of both current research and our own experience in studying SROI analyses, we see that two elements are key: the observer's paradigmatic perspective, on the one hand, and positive or negative valuation, on the other. We identify limitations from three perspectives:

1. From an interpretative-sociological perspective, criticism of SROI's measurement system commensuration and utilitarianism calls the whole method into question.
2. From a technical-instrumental perspective, there are a number of difficulties (data gathering, non-financial values, etc.). These could, however, be overcome as the method matures.
3. From an intermediary perspective, a number of limitations become apparent that, while inherent to SROI analysis, are no reason for abandoning it, as long as they are thoroughly understood.

We conclude with a plea for the responsible use of SROI analysis in tourism.

Possible pitfalls of SROI in Tourism are:

- **Complexity in Measurement:**
Assessing the social and environmental impacts can be challenging due to the diversity of factors involved, making accurate measurement difficult.
- **Subjectivity in Valuation:**
Assigning monetary value to non-financial impacts like cultural preservation or community wellbeing can be subjective and contentious.
- **Data Availability:**
Availability and reliability of data can pose challenges, especially in measuring intangible impacts and long-term effects.
- **Time-consuming Process:**
Conducting an SROI analysis requires significant time, resources and expertise, which might not always be readily available.

SROI FRAMEWORKS

Overview

SROI is a framework for measuring and valuing the social, economic and environmental outcomes of an organization or project. It involves mapping outcomes, evidencing outcomes, establishing impact, calculating the SROI and reporting the findings.

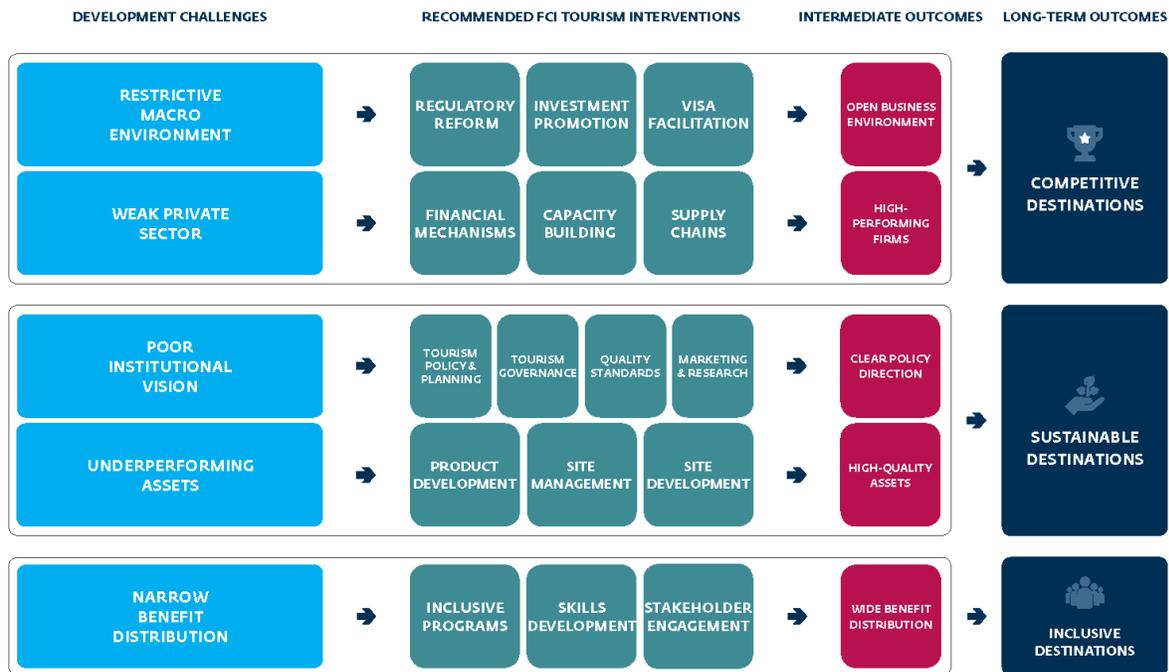
As you begin researching or simply use a Google search with the combined keywords “SROI” and “tourism”, you’ll soon discover that SROI isn’t commonly used in the tourism sector. Instead, it finds more prevalence in the realms of finance, investment and government. Moreover, you’ll find numerous methods of measurement and existing frameworks that essentially convey similar meanings to those intended by SROI. There exists a wide array of approaches falling under the SROI umbrella that aren’t explicitly labelled as such.



Theory of Change

The Theory of Change is a comprehensive framework that is core to calculating SROI. The theory refers to specific steps and assumptions that underpin how and why a particular social intervention or program is expected to bring about desired outcomes. It identifies the sequence of intended actions, expected intermediate changes and ultimate long-term impacts. When applied to evaluating investments in tourism-related social programs, this methodology allows stakeholders to map out the anticipated positive transformations (such as increased employment, economic growth, cultural preservation, community development, etc.) resulting from the investment. By articulating these causal pathways and expected results, a theory of change aids in understanding the potential benefits, measuring effectiveness and assessing the overall impact of social programs within the tourism sector, facilitating informed decision making and resource allocation.

FCI TOURISM THEORY OF CHANGE 2018



For instance, the Theory of Change analysis tools are often used by big institutions like the World Bank: [Tourism Theory of Change](#)

On a national level, this is a great example of how Honeyguide uses the [Theory of Change](#) for a strategy for Tanzania

Social Impact Assessment

Social Impact Assessment (SIA) identifies, assesses and manages both intended and unintended positive and negative social consequences of planned interventions like policies, programs or projects. While these interventions can bring opportunities, they can also cause harm, affecting communities differently. SIA helps maximize benefits and minimize harm.

A social impact can be perceived cognitively or physically by individuals, families, social groups, workplaces or communities. Essentially, an impact on anything valued or important to a specific group can have a social impact, including environmental effects since people rely on the environment for livelihoods and may have emotional ties to project locations. As identified through the regenerative approach to tourism, tourism businesses and the health of the tourism industry have direct impacts on residents in the local community and vice versa.

SIA involves four key stages:

1. Understand the project and associated issues.
2. Predict and assess impact pathways, considering indirect and cumulative effects.
3. Develop strategies to address negative impacts, enhance benefits and support communities undergoing change.
4. Implement monitoring programs to track and evaluate impacts over time.

The SIA tool is typically employed in various scenarios to evaluate the potential or actual effects of a proposed project, program, policy or initiative on the surrounding community or society as a whole. SIA is commonly used for policy formulation, community planning and by non-governmental organizations (NGOs). The United Nations World Tourism Organization (UN Tourism) uses it frequently: [Impact Assessment of the COVID-19 Outbreak on International Tourism](#)

The Mediterranean Experience of EcoTourism also created an online tool to use SIA: [Social Impact Assessment of Ecotourism Suppliers](#)



UN SDGs and the UN Global Compact

The Sustainable Development Goals (SDGs) are 17 global targets set by the United Nations (UN) for 2030, covering areas like poverty, health, education and sustainability. Tourism can directly or indirectly contribute to all these goals, especially in economic growth, sustainable production and ocean conservation (Goals 8, 12, and 14).

The UN Global Compact initiative encourages businesses to adopt sustainable practices and report on their implementation through annual Communication on Progress (COP) reports. These reports determine a company's differentiation level: Advanced, Active or Learner, based on how well they align with the Compact's principles in areas like human rights, labour, environment and anti-corruption.

The social enterprise Authenticitys provides an example of direct reporting on the SDGs: [Authenticitys: Social Impact Report 2018](#)

SUSTAINABLE DEVELOPMENT GOALS



Global Sustainable Tourism Council Criteria

Established in 2007, the Global Sustainable Tourism Council (GSTC) has become a global leader in sustainable tourism. Its GSTC Criteria encompass indicators from various recognized principles, guidelines and certification criteria, offering a universal benchmark for sustainable tourism practices.

The GSTC Criteria provide a framework for measuring the sustainability performance of tourism businesses and destinations based on the SDGs. It covers economic, social and environmental aspects of sustainability. Following the criteria leads to being certified as a sustainable destination. The GSTC Criteria are used as a sustainability management tool rather than solely an impact measurement framework. The GSTC offers unified reporting system for tour businesses.

To use GSTC Criteria for reporting, self-assessment is an option. However, working with GSTC-accredited sustainability certification schemes like Travelife or Control Union is recommended for thorough assessment and enhanced credibility. Third-party certification helps businesses manage sustainability effectively.

Companies such as Urban Adventures, Khiri Travel, BetterPlaces, Exo Travel, TUI and many others adopt this sustainability certification.

The GSTC Criteria are also often used by bigger DMOs: [GSTC Destination Criteria](#)



A frequently referenced illustrative example at the National Tourism Organization (NTO) level is the GSTC-certified destination of Namibia: [Doing It Better: #Khoadi-//Hôas, Namibia](#).

Total Impact Measurement and Management (TIMM)

Developed by PwC, Total Impact Measurement and Management (TIMM) is an approach that quantifies and values the economic, tax, environmental and social impacts of an organization or project. It uses input-output models and various impact measurement and valuation methodologies.

Total: It provides a comprehensive view across social, environmental, tax and economic dimensions.

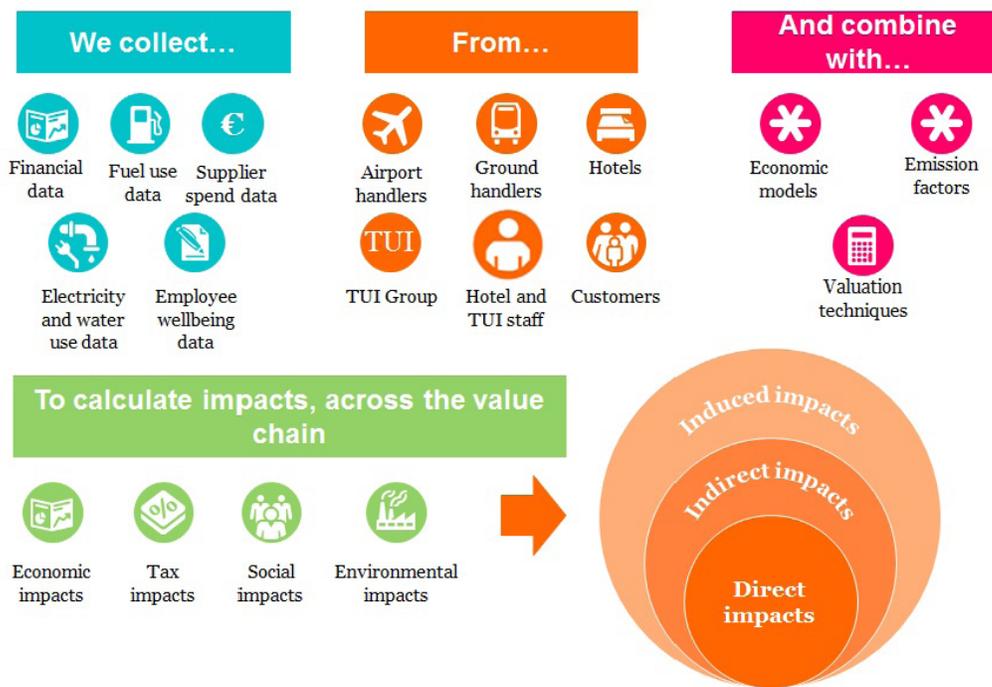
- Impact:**
 It delves into outcomes and effects rather than just inputs and outputs.
- Measurement:**
 It quantifies and assigns monetary value to impacts.
- Management:**
 It enables better evaluation of options and trade-offs for informed decision making.

It estimates values at different impact levels —direct, indirect and induced — offering a comprehensive overview of a business's impact. This approach aligns with the World Travel and Tourism Council's methodology for economic impact assessment.

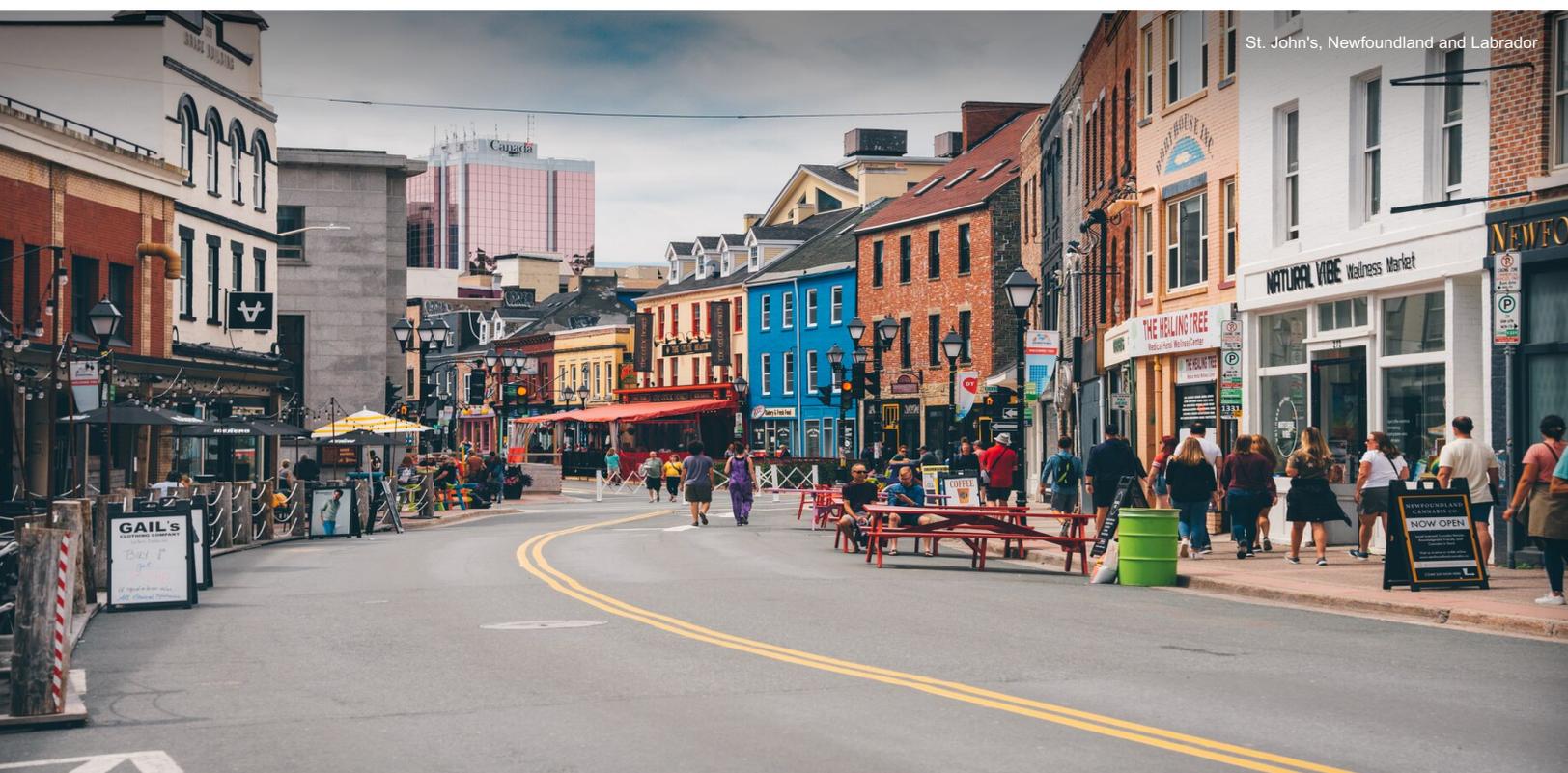
TIMM resembles SROI in its approach of measuring impacts in financial terms, though TIMM offers a more extensive evaluation across various impact dimensions and levels.

A good description of how to use TIMM for destinations is to be found in the research papers of the [Travel Foundation](#).

On a national level, the TIMM model was used to calculate the impact of tourism for [Cyprus](#).

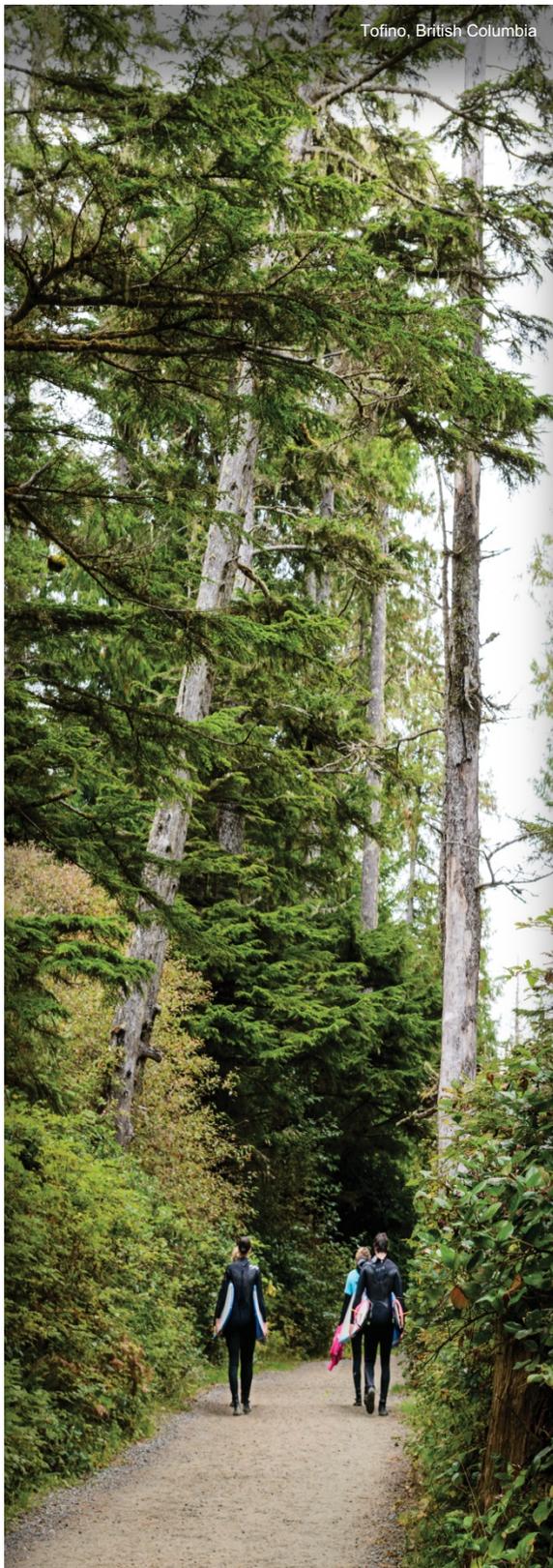


Tourism Leakage



Tourism leakage isn't a comprehensive impact measurement tool but serves as an indicator of tourism's impact. Adding it here offers an easy way to gauge a tourism business's effect on a local economy. Leakage refers to money spent on importing goods and services for travellers' needs when the local economy can't adequately supply them. Seven mechanisms drive leakage, including goods, infrastructure, foreign factors, promotional expenses, transfer pricing, foreign workers and tax exemptions. Ideally, sustainable tourism should retain around 80% of tourist spending within a destination. Strengthening connections between formal tourism sectors and the local economy, such as hotels, restaurants and transport, bolsters economic benefits and aids poverty reduction by linking with agriculture, manufacturing and other sectors.

At the NTO level, a good example of a country fighting tourism leakage is [Aruba](#).



Additional Models

We see many destinations attempting to calculate the social impact of their tourist activities and mapping the financial return, particularly in terms of how much money flows back to the local population and how much can be allocated for the preservation and improvement of nature and heritage. Less frequently observed are places making efforts to calculate the polluting effects of fossil fuel emissions, yet they also form a part of SROI. Therefore, we add two more models outside the traditional DMO sphere.

The Road to Net Zero Emissions

The study “The Road to Net Zero Emissions” by Booking.com, in collaboration with EY Parthenon and OC&C strategy consultants, maps out the potential savings of transitioning to net zero emissions by 2050 within the accommodation sector, against the associated costs. For hotels, they identify the most significant opportunities to reduce emissions (which also lead to cost savings) by focusing on energy-efficient climate systems and appliances, especially air conditioning, as well as installing double glazing. While this research doesn't outline the complete path to zero emissions, it highlights the investments accommodations can make now to reduce their emissions, often based on a positive business case. The following is a [link to this study](#).

Smart Assessment Sustainable Tourist Destinations

The Smart Assessment Sustainable Tourist Destinations (SASTDES) Carbon Footprint Tool created by the University of Breda enables destinations across Europe to calculate the carbon (CO₂) emissions generated by visitors. This model considers transportation modes from various origin markets, the length of stay, the distribution of different types of accommodations and a range of tourist activities undertaken at the destination. Additionally, the model can illustrate the impact of measures on a destination's CO₂ emissions. For instance, it can show the effects if visitors opt for public transport instead of flying or if a destination alters its market approach by focusing more on nearby countries and less on distant ones.

[Centre for Sustainability, Tourism and Transport](#)

A good example of SASTDES in action can be read in this report for the [Dutch region of Schouwen-Duiveland](#).

KPIS OF SROI

Bohavista, Newfoundland and Labrador

By going beyond traditional measures of success and adopting a more comprehensive approach to impact assessment, purpose-driven businesses can gain a deeper understanding of their contributions to society, the environment and the economy. This enables them to make informed decisions and continuously improve their sustainability performance.

Go Beyond Traditional Measures

Purpose-driven businesses can go beyond traditional measures of success by assessing their impacts in a more comprehensive and holistic manner. This involves considering not only financial performance and customer satisfaction but also the broader social, environmental and economic impacts of their operations. Here are some ways purpose-driven businesses can assess their impacts:

- **Identify Key Performance Indicators (KPIs):** Purpose-driven businesses and places should identify specific KPIs that align with their mission and values. These KPIs can include indicators related to social progress, environmental sustainability, community development and employee wellbeing.
- **Use Impact Measurement Frameworks:** Purpose-driven organizations can use impact measurement frameworks such as the Global Sustainable Tourism Council (GSTC) Criteria or the Total Impact Measurement and Management (TIMM) framework developed by PwC. These frameworks provide guidance on measuring and valuing impacts across different dimensions.
- **Collect and Measure Data:** Purpose-driven businesses need to design a process to collect and measure data related to their identified KPIs. This may involve gathering information from various sources, such as customer surveys, employee feedback and environmental assessments.
- **Consider Stakeholder Engagement:** Purpose-driven businesses should engage with their stakeholders to understand their perspectives and priorities regarding impacts. This can help in identifying relevant indicators and ensuring that the assessment captures the concerns and interests of different stakeholders.
- **Seek Third-Party Certification:** Purpose-driven businesses can enhance their credibility and efficiency in managing sustainability by seeking third-party certification from accredited sustainability certification schemes such as Travelife or Control Union. This certification demonstrates a commitment to transparency and accountability in impact assessment.

A good example of using sustainability reporting with adjusted KPIs is that of the [World Travel & Tourism Council](#).

KPIs for Measuring SROI

- **Jobs Created or Supported:**
Measure the number of jobs generated directly or indirectly due to tourism activities.
- **Cultural Preservation Index:**
Assess the impact on local culture and heritage preservation.
- **Environmental Footprint:**
Evaluate reductions in carbon emissions and waste generation, or improvements in biodiversity conservation.
- **Income Distribution:**
Analyze the equitable distribution of economic benefits among local communities and businesses.
- **Return on Investment (ROI):**
Calculate the financial returns compared to the initial investment (e.g., in social and restorative programs).



The Hybrid Impact-Value Model

In academic literature there is a lot of thought and talk about a hybrid impact-value model for measuring the sustainability of a tourism product. This model combines two approaches: a global assessment of sustainability and an analysis of specific actions taken to meet stakeholders' expectations. The model uses the same dimensions, indicators and stakeholders for both approaches, allowing for a comprehensive analysis of the tourism product and the evaluation of the sustainability of specific actions over time. The model also allows for short- and long-term positioning. The authors suggest that this hybrid model provides a global vision and can be a valuable tool for tourism policymakers, businesses and residents in making informed decisions and controlling the effects of tourism projects.

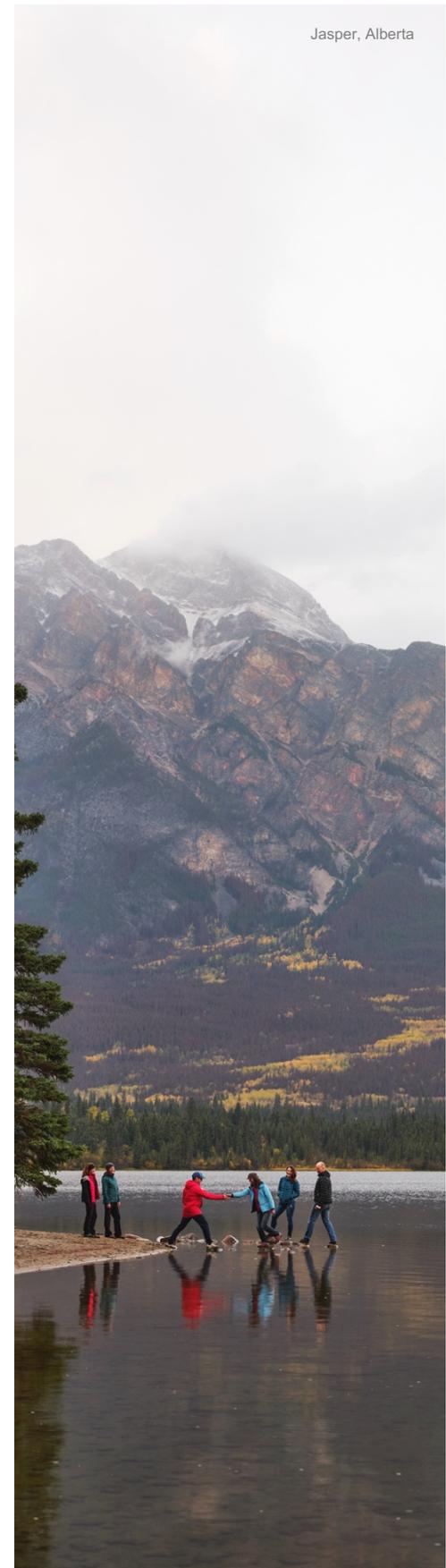
The methodology used by the hybrid impact-value model to measure the sustainability of tourism products is the SROI methodology. Why? Because SROI is, according to many, the most versatile methodology that measures the social value and impacts on sustainability generated by the creation and development of a tourism product. It provides a tool for assessing the change and value of the impact resulting from the actions underlying the tourism product. The hybrid impact-value model applies SROI methodology based on a holistic perspective, considering the perspectives of all the stakeholders involved in the tourism product. Through this methodology, the model can be used to assess the sustainability of the tourism product and measure its impact and value over time.

Challenges

There are several challenges in measuring the wider impacts of tourism:

- **Identifying the impacts:**
It can be difficult to determine which impacts to measure and the scope of those impacts. For example, deciding how far to extend the measurement to include the supply chain or which indicators to use for measuring social impact.
- **Lack of standardized methodology:**
There are numerous frameworks available for measuring impacts, but there is no clear guidance on which one to use in specific circumstances. This lack of standardization makes it challenging for tourism businesses to select the most appropriate methodology.
- **Resource requirements:**
Developing an impact measurement framework requires significant resources, both in terms of human capital and financial investment. Smaller organizations may struggle to allocate the necessary resources for this purpose.
- **Data collection challenges:**
Collecting high-quality and consistent data can be a complex task. It may involve logistical challenges or a lack of capacity to collect and analyze the required data effectively.
- **Stakeholder communication:**
Different stakeholders have varying interests in different types of impacts, and each requires different channels of communication. Tourism businesses need to identify their target audience and effectively communicate the measured impacts to them.
- **Limitations in local research availability:**
Where possible, local research should be used to value outcomes, however in some instances local values are not possible to attain, and research from other communities need to be used.
- **Limitations related to inflationary trends:**
Forecast SROI analysis may or may not include adjustments for inflation in the year that the analysis is being undertaken. Similarly, the financial value of outcomes for stakeholders may need to be adjusted for inflation. While ultimately the SROI ratio should remain the same if both inputs and outputs are adjusted for inflation, the increase in costs over time may exceed simple inflationary increases related to outcomes (e.g., increases beyond inflation for materials such as lumber and steel), which could decrease the final SROI ratio revealed by the analysis.

Overall, measuring the wider impacts of tourism is a complex task that requires careful consideration of various challenges and the allocation of appropriate resources. Destinations considering SROI analysis often use a variety of sources and approaches that have been successful elsewhere.



PERFORMANCE MEASURES AND METRICS (PMIMS) FOR TRACKING SROI

Canmore, Alberta



Quantitative Models

Quantitative models play a significant role in assessing the impacts of tourist activities.

These models, such as econometric models and structural equation analysis, provide a systematic and data-driven approach to understanding the economic, socio-cultural and environmental effects of tourism.

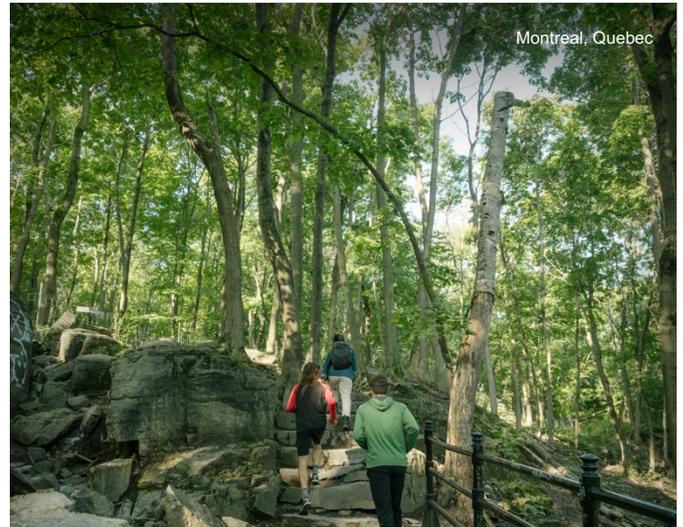
By using quantitative models, researchers can analyze large datasets and identify patterns, correlations and causal relationships between tourism and its impacts. These models allow for the measurement and quantification of various indicators, such as employment, income, visitor numbers, resident perceptions and environmental changes.

Quantitative models also enable researchers to conduct statistical analyses and hypothesis testing, which helps in determining the significance and magnitude of the impacts. They provide a rigorous and objective framework for evaluating the positive and negative effects of tourism on different stakeholders, including residents, businesses and the environment.

Overall, quantitative models contribute to a more comprehensive understanding of the impacts of tourist activities by providing empirical evidence, supporting policy-making decisions and facilitating comparisons across different destinations and time periods.

Measures and Blended Value

SROI aims to capture the components of blended value, which include economic, social and environmental value. It goes beyond traditional financial metrics and seeks to measure the broader impact and value created by organizations in these three dimensions. SROI analysis assesses the resources invested and compares them to the benefits generated, considering both financial and non-financial outcomes. By monetizing the social and environmental benefits and costs, SROI provides a comprehensive understanding of the value created by organizations.



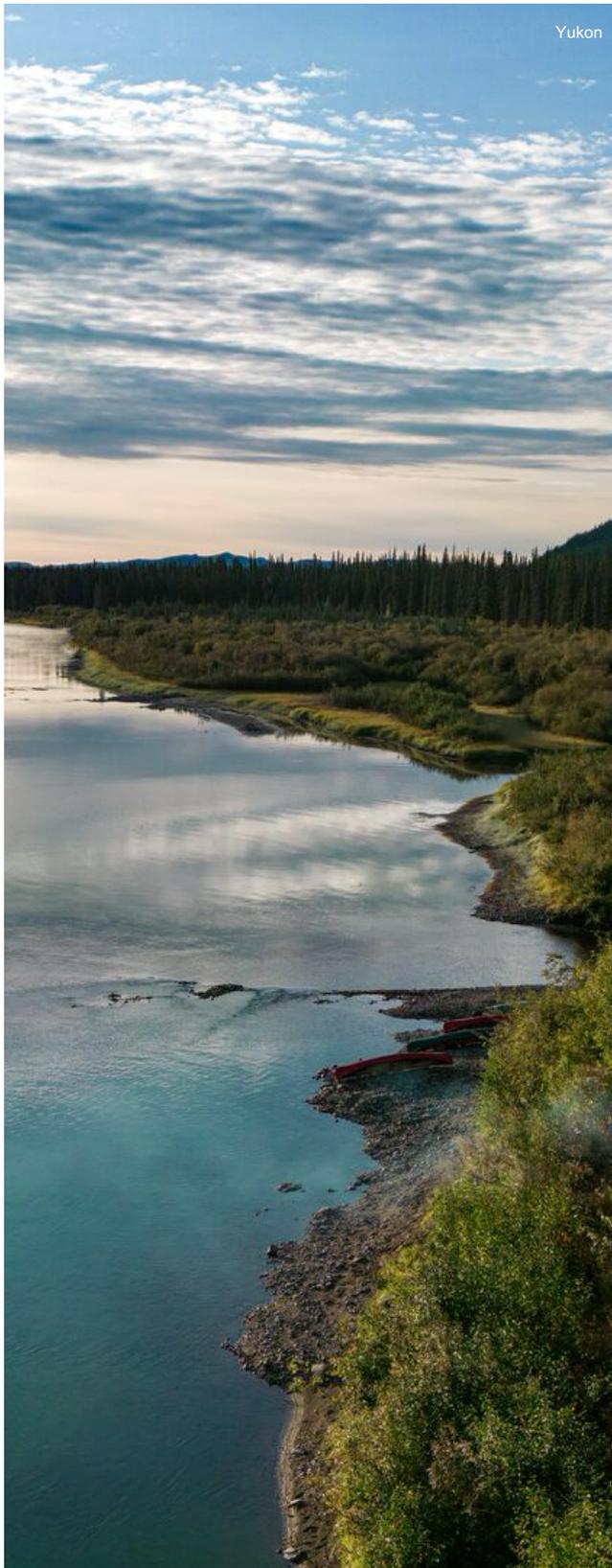
Measuring Impact and Outcome is Difficult

Measuring performance is a relatively simple process. We are used to seeing net profits, visitation numbers, total employment, etc. When it comes to impact measurement, however, the picture becomes a bit blurry.

In their sustainability strategies, leading destinations often talk about the amount of money invested in conservation projects or people trained on their special programs. These numbers, however, don't tell us anything about social progress.

In his book, *Outcomes Management — How Nonprofits Can Measure Results*, Robert Penna explains the most common terms related to measurement.

- **Program:**
A program is a product or services your organization provides to change a situation. This is what the organization does.
- **Inputs:**
Inputs are the resources your organization devotes to a particular program (money, time, volunteers, consultants).
- **Outputs:**
Outputs are what your program produces. For instance, a training program provides graduates. An output of a staff volunteering initiative is a number of NGOs you've supported. Outputs are measurable and readily determined. They're also easy to produce and measure, and so many companies stop here.



- Outcomes:**
 An outcome is an effect your program produces on the people or issues you serve or address. For instance, the outcome of a training program might be the number of graduates who get a job and keep it for a particular period. Or the number of NGOs you've helped, and which have used your advice with success. An outcome is a change that occurred because of your program. It is measurable and time-limited, although it may take a while to determine its full effect. Measuring outcomes requires a more significant commitment of time and resources. Plus, you may have to track performance over time.
- Impacts:**
 Impacts are the long-term or indirect effects of your outcomes. Impacts are hard to measure since they may or may not happen. They are what we hope our efforts will accomplish. For instance, graduating from a training program may eventually lead to a better quality of life for the individual. But how do you know? What are the indicators of a better quality of life? How long will it take to see the impact? Impacts are often uncertain and unpredictable. As Robert Penna says in *The Nonprofit Outcomes Toolbox*, "...impacts are what we hope for, but outcomes are what we work for."⁵

If you're designing a reporting framework, it is very important to understand these differences, and to be transparent about what you're measuring and reporting on. While focusing purely on inputs and outputs is tempting, strive for the highest level of those results that you can reach!

⁵ Fritz, Joanne (5/21/2020), "[How to Talk About Nonprofit Impact from Inputs to Outcomes](http://www.liveabout.com)" (www.liveabout.com)

A Basic Formula for Calculating SROI

The fundamental equation used to calculate SROI is expressed as follows:

$$\text{SROI} = (\text{SIV} - \text{IIA}) / (\text{IIA} \times 100\%)$$

For this formula, SIV represents the Social Impact Value and IIA stands for Initial Investment Amount.

Now, let's illustrate this formula with a different example related to an NTO training program.

Suppose the NTO initiates an educational program aimed at training and certifying individuals as sustainability managers in the tourism sector. They invest \$150,000 into this program in the first year, providing training, resources and support. The goal is to produce skilled sustainability managers equipped to implement eco-friendly practices across various tourism establishments. By the end of the year, 15 individuals successfully complete the program and assume roles as sustainability managers in different hotels and tourist facilities. The estimated average value of their impact, considering cost savings due to sustainability measures implemented, is assessed at \$60,000 per manager annually. However, during the course, five individuals drop out for personal reasons and two candidates secure similar positions without directly benefitting from the NTO program.

Using SROI principles, the NTO attributes the success of 10 individuals (15 - 5 dropouts) securing positions to the program's direct influence.

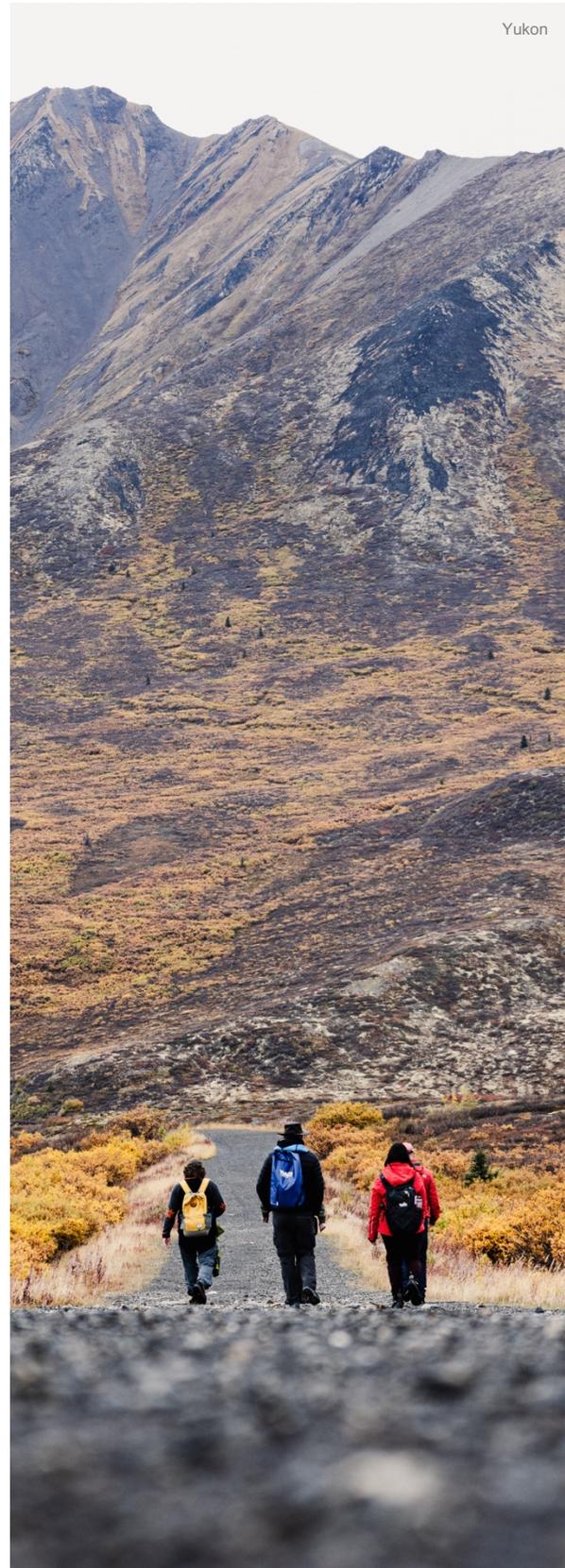
Applying the SROI formula:

$$\begin{aligned} \text{SIV} &= 10 \text{ managers} \times \$60,000 \\ &= \$600,000 \text{ IIA} \\ &= \text{Initial investment of } \$150,000 \end{aligned}$$

Therefore, $\text{SROI} = (\$600,000 - \$150,000) / (\$150,000 \times 100\%) = 3.00$

This implies that for every \$1 invested, the NTO generated a **social impact of \$3.00** within the first year through its sustainability manager education program.

Please note, this is a simplified example for illustration purposes and a comprehensive analysis could involve more intricate considerations and data assessment.



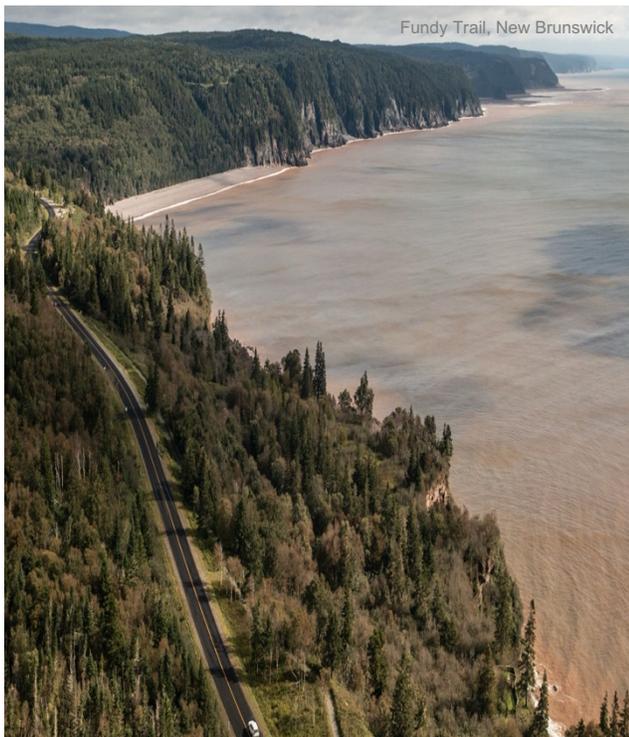
Yukon

Measures and Metrics to Track SROI for Tourism

The most frequently referenced measures for tracking SROI typically include financial metrics, such as Return on Investment (ROI), Net Present Value (NPV) and Cost-Benefit Ratio (CBR), as these are the easiest to value. Arguably more importantly, however, are social impact metrics like the number of beneficiaries, changes in behaviour or improvements in wellbeing.

Metrics must be relevant to the specific social or environmental outcomes being measured and align with stakeholder priorities. In addition to ensuring the tourism program or initiative being assessed by SROI meets original objectives, the metrics also need to be able to:

- Support the decision-making process for organizations, as in whether or not to continue offering a program.
- Identify and potentially prevent unsustainable actions.
- Measure the impacts generated.



Another consideration in determining appropriate PMMs is that they can help inform society as a whole of the results achieved by the program or project.

The following section provides an overview of frequently used categories of PMMs to track SROI in the tourism sector.



Economic Impact

Many models exist to determine the economic impact of tourism projects. The Province of Ontario, for instance, supports use of the Tourism Regional Economic Impact Model (TREIM). TREIM is a regional economic impact model using the latest Ontario Input-Output Table and data from the Ontario Economic Accounts to estimate the Gross Domestic Product (GDP), the number of jobs and the taxes generated from tourism-related activities in the province. The information produced by this model enables the evaluation of the significance or the impact of tourism on the local economy and the comparison of the tourism industry to other industries in terms of GDP, employment and taxes.

The process involves measuring the direct and indirect economic benefits generated by the tourism initiative, such as GDP, job creation and related labour income, and government tax revenue. Some models also calculate induced benefits.

Although Economic Impact Analysis has its own methodology and PMMs, several are directly applicable to SROI analysis, such as:

- Increase in tourist spending per capita.
- Number of jobs created or sustained in the tourism sector.
- Revenue generated from tourism activities.
- Increase in local businesses supported or started due to tourism.

Environmental Impact

When it comes to SROI and evaluation of organizations, environmental sustainability is typically high on the radar for management who need to consider their actions and corporate impact. More so now than ever, companies need to demonstrate strong environmental standing along with good governance and social impact in order to gain funding. In the private sector, this is known as ESG (Environmental, Social and Governance) analysis.

Specific metrics to calculate SROI success regarding environmental impact include:

- Reduction in carbon emissions through sustainable transport initiatives.
- Increase in the use of renewable energy sources.
- Amount of waste diverted from landfills through recycling or composting programs
- Preservation of natural habitats and biodiversity, measured by the number of protected areas or endangered species.

UN Tourism has set clear sustainable development guidelines and management practices for tourism businesses. In order to be considered a sustainable tourism development, a business must:

- Make optimal use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity.
- Respect the socio-cultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to inter-cultural understanding and tolerance.
- Ensure viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to host communities, and contributing to poverty alleviation.



The Sustainable Development Goals have been adopted by many organizations as clear objectives to set targets against, and [UN Tourism](#) offers a full toolkit of indicators.

Although progress has been made, thanks mainly to a series of international standards, much remains to be done in order to define a reference framework capable of quantifying the value of an organization’s impact on society and the environment.

Visitor Satisfaction

An important ongoing performance measurement for tourism initiatives involve gauging visitor satisfaction and the quality of the tourism experience. This is most frequently accomplished through surveys, feedback and ratings, helping to ensure a positive impact on travellers and their perception of the destination. For instance, annual surveys undertaken by repeat guests or visitors can measure satisfaction with various aspects of the tourism experience, such as accommodation, attractions, transportation, customer service and overall experience over time.

Potential metrics include:

- Increase in repeat visitation (indicating both satisfaction and loyalty).
- Change in visitor reviews and ratings of the tourism project, attractions, or services offered on online platforms like Tripadvisor.
- Number of positive recommendations and referrals made by visitors to friends, family, or acquaintances, indicating their satisfaction and endorsement.
- Increase in the average amount spent per visitor, indicating their level of satisfaction and willingness to invest in the destination.
- Change in visitor feedback, comments and complaints to identify areas of improvement and address any issues affecting visitor satisfaction.
- Level of visitor engagement in activities, events or programs offered by the tourism project, indicating their interest and satisfaction.
- Extent to which visitors engage in and appreciate local culture to provide an indication of cultural immersion levels.



Social Inclusion

Performance can be measured by the extent to which an initiative promotes social inclusion and benefits local communities. Potential metrics include:

- Number of local residents employed in the tourism industry.
- Increase in income and economic opportunities for marginalized communities.
- Participation of local communities in decision-making processes related to tourism development.
- Number of training programs or skills development initiatives for locals in the tourism sector.

Cultural Preservation

SROI can concurrently measure the efforts and outcomes related to preserving and promoting local culture, heritage and traditions.

Potential metrics include:

- Number of cultural events or festivals organized to showcase local traditions.
- Preservation of historical sites and heritage buildings.
- Empowerment of Indigenous communities through tourism activities.
- Support for local artisans, craftspeople and cultural practitioners.

Stakeholder Engagement

It is important to assess the level of involvement and collaboration with local stakeholders, including community organizations, NGO, and government bodies, to ensure their active participation in decision-making processes and benefit sharing. It is also critical to include stakeholder priorities in the process of establishing performance measures and metrics to ensure their relevance.



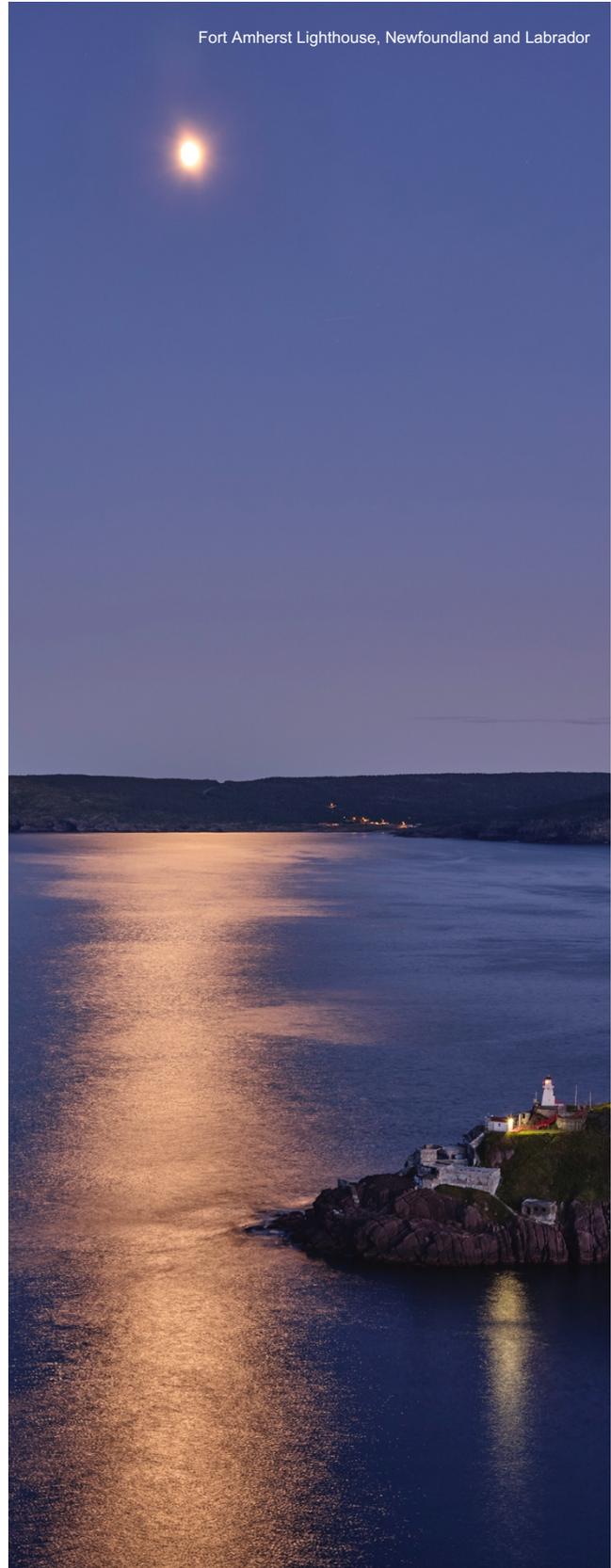
Nunavut

Stakeholder Involvement in Establishing PMMs for SROI

As mentioned, it is important to ensure metrics are relevant to the outcomes being measured and align with stakeholder priorities, but it is also critical to involve a range of stakeholders in the process. Specific stakeholders to involve will vary depending on the project and its context, but some key stakeholders to consider are:

- **Project Managers and Implementers:**
Those responsible for the design and implementation of the tourism project should be involved in identifying relevant performance measures. They have the knowledge and understanding of the project's objectives, activities and intended outcomes.
- **Local Community Representatives:**
Engaging representatives from the local community is crucial as they can provide insights into the community's needs, expectations and concerns. They can contribute to identifying performance measures that align with the community's social, economic and cultural aspirations.
- **Tourism Industry Professionals:**
Involving professionals from the tourism industry, such as tour operators, hoteliers, travel agencies and DMOs is beneficial. They possess expertise and experience in the tourism sector and can provide valuable insights into industry-specific performance measures.
- **Government Agencies and Policy Makers:**
Representatives from relevant government departments and agencies, including tourism boards, environmental agencies and economic development bodies should be involved. They can contribute insights on policy objectives and regulatory requirements.
- **Visitors:**
Those participating in or benefitting directly from the results of a tourism-related program or project provide the best indicator of what is appealing or where challenges lie.

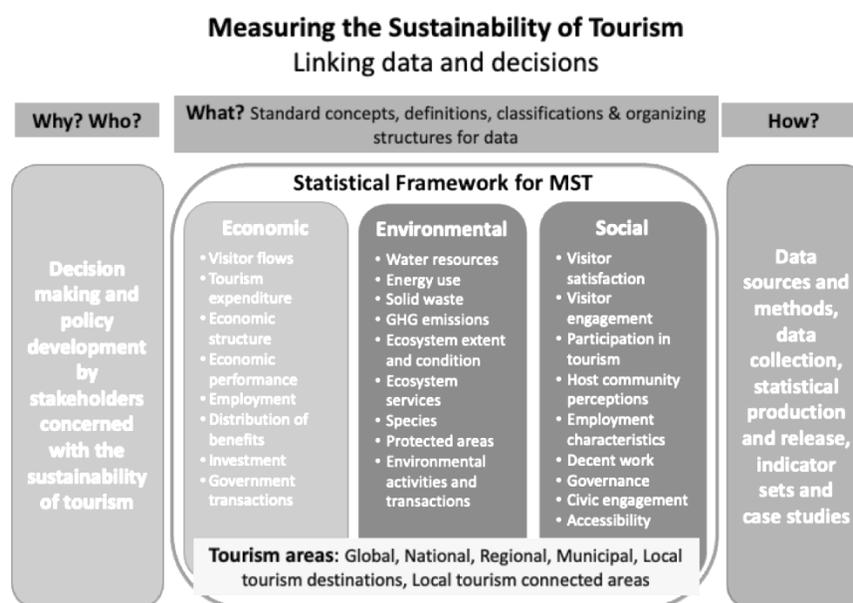
Fort Amherst Lighthouse, Newfoundland and Labrador



Statistical Framework for Measuring the Sustainability of Tourism

The Statistical Framework for Measuring the Sustainability of Tourism (SF-MST) is an organizing structure for integrating statistics on the economic, environmental and social dimensions of tourism. It is a multi-purpose conceptual framework to record and present data relating to the sustainability of tourism. Ultimately this framework is intended to establish a common language for the measurement and presentation of data. An overview of the SF-MST can be found [here](#).

As shown in the figure below, SF-MST measures economic, environmental and social dimensions of tourism, and can be used at all spatial scales (global, national, regional and local). It is primarily concerned with what should be measured within each of the three dimensions, with the context (why it might be used and who might use it) along with the methods for tracking (how) remaining open to discussion.



Source: [UN Tourism Statistics Framework for Measuring the Sustainability of Tourism \(SF-MST\)](#)

Ultimately, this framework will be most relevant to three groups of stakeholders:

1. Data producers (e.g., ntos and dmos),
2. Data analysts (those who collect data and compile statistics for destinations), and
3. Decision makers in the public and private sectors.

By giving everyone a common language on the sustainability of tourism, the results of the SF-MST will be able to inform national policies on tourism and will also provide an overarching context within which specific tourism activities and destinations can make their decisions. Sub-national or local statistics may be of more direct use for individual operators or DMOs, but will also provide national level decision makers a richer understanding of the variations across destinations impacting sustainability.

The most recent version of the SF-MST was prepared for global consultation in October 2023 and is undergoing an active process of research, discussion and consultation with multiple experts, sectors and stakeholders (Expert Group on MST), before a final version is submitted to the UN Statistical Commission (UNSC).

It is expected that the final framework will be presented in the General Assembly of UN Tourism in April 2024, and will be adopted and used by many NTOs, as it has been co-created under the leadership of the United Nations.

Ensuring Alignment Between SROI and Measures of Wealth and Wellbeing

When considering future use of SROI analysis in tourism, it is important to consider alignment with other well-established indicators.

Canadian Index of Wellbeing

The Canadian Index of Wellbeing (CIW) tracks changes in eight quality of life categories, including: community vitality, democratic engagement, education, environment, healthy populations, leisure and culture, living standards, and time use.

The CIW was developed by Canadians for Canadians through the University of Waterloo in Ontario. It was created by asking people what was important to their quality of life. Challenges exist with using this index, for example, the categories of leisure and culture, and living standards have few indicators, which has led to data gaps. Nevertheless, the CIW has allowed community to map to SDGs and demonstrates how community lives have improved beyond just a change in GDP.

It is important to note that the CIW regularly reports on the quality of life of Canadians nationally, provincially and locally, advocates for social change that reflects our values and places wellbeing at the heart of policy.

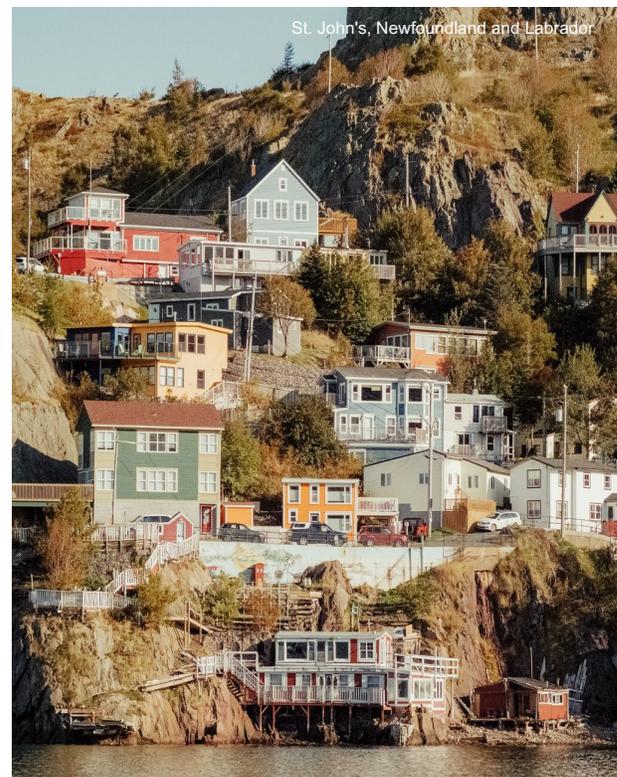
In the 21-year period of comparing the wellbeing of Canadians to economic growth, the data shows the gap between GDP and our wellbeing is growing. The 2008 recession was a major setback for wellbeing and we have not recovered. In 2008, the gap between the GDP and the CIW was 21%, growing to 24.5% in 2010 and 28.1% in 2014.

Canadians are sacrificing the things that make life worthwhile: culture, leisure, volunteering and social connection with friends and community—even sleep. According to CIW findings, education is the only domain that kept pace with GDP. Community vitality is also a strength as people pull together, feel they belong and communities are safer.

A central theme emerging from the findings of the latest report is the need to close the growing inequality gap for all Canadians and several related recommendations for policy are provided:

- A universal basic income that is embedded within the social safety net—a companion to successful programs supporting children and older adults.
- A pan-Canadian education strategy to create more, accessible opportunities for Canadians throughout life.
- Adoption of an “upstream” perspective on health promotion.
- Fostering inter-sectoral collaboration within communities to leverage resources and facilitate citizen engagement and cooperation.
- Universal access to leisure, arts, culture, sport, parks and recreation to enrich lives.

The latest CIW report demonstrates that by placing wellbeing at the heart of policy, one can see the possibilities that a universal basic income can provide beyond lifting people out of poverty.



Considerations for Canadian Destinations

Moving forward, it will be important for Canadian destinations to consider the differences between Indigenous and non-Indigenous communities, and apply these to SROI analysis, for both evaluative and forecast applications.

A consensus is growing globally about the need for a more holistic and transparent way to measure societal progress that combines the full range of social, health, environmental and economic concerns. The CIW in particular is viewed as a global pioneer in developing a holistic, integrated approach to measuring wellbeing.



WEALTH & WELLBEING INDEX

FROM DESTINATION CANADA

This measurement tool serves to ensure that tourism generates wealth and wellbeing for all of Canada and enriches the lives of our guests.

The Wealth & Wellbeing Index is a comprehensive benchmarking tool and a new way to measure the value of tourism. It tracks progress in economic, social and environmental sustainability and resilience at all levels—from national to provincial and municipal. The data supports long-term industry advancement by identifying key strengths and development opportunities while tracking performance annually.

The strategic framework reflects the importance of destination stewardship in the development of communities, the preservation of the environment and the quality of life of visitors and residents. Developed in partnership with the industry, the Wealth & Wellbeing Index collects information on 100+ indicators grouped into 30 areas, distributed among six categories: Economy, Employment, Enablement, Environment, Engagement and Experience.

The national and provincial level index will be released in 2024.



Yukon



Lessons Learned

The CBRE-PG team reviewed a number of studies in order to select the best approach for Canadian destinations. One particular study looked at the impacts of SROI on Māori tourism businesses: [One particular study](#). The study was intended to consider how Indigenous tourism businesses construct cultural integrity within a Western capitalist setting. An unintended outcome of the SROI analysis was the determination that capitalist ideals around economic profit do not necessarily lead to a dichotomy with Indigenous values. For instance, the Western term “sustainability” aligns well with the Māori values around education and social sustainability.

There are several themes that Māori employ to ensure a business provides value. Tourism business managers cited a responsibility to increase staff’s cultural capacity and, in doing so, increased both business and product authenticity. People that frequented these businesses often also sought cultural understanding – and staff became aware of the wider impacts of their businesses. Thus, for their business to be successful and contribute, staff understood that they needed to make a concerted effort to include the wider community.

As such, businesses in small towns need community support to create a total experience for their visitors, highlighting the reciprocal nature of social relationships and the potential to increase SROI value over time.

Key Considerations for Measuring SROI

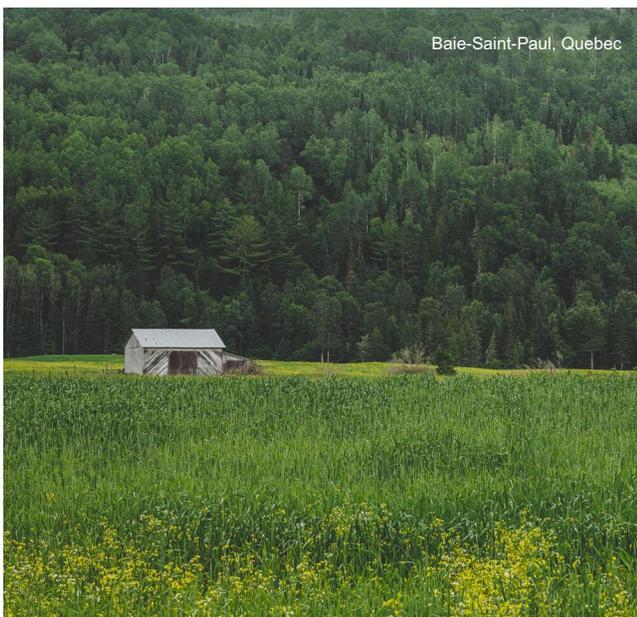
Based on the CBRE-PG team's review, we can derive five tips for a tourism organization to consider at the national level.

1: Initiation and Follow-Through

The focus now lies in steering towards climate-neutral tourism and social equity. All entities engaged in activities within a destination are encouraged to establish their unique approach. A recommended starting point involves crafting an individualized climate plan as a foundational tool. A strategy serves as a roadmap for places to delineate their present capabilities and aspirations, while also identifying areas where support is needed. It fosters immediate opportunities for collaboration among entities and entrepreneurs, aiding in both assessing resources and seeking assistance.

2: Promotion of Preferred Actions

From local to national levels, governments play a pivotal role in supporting countries as a destination by offering a clear vision, taking the lead, and uniformly standardizing and incentivizing desired actions. Acknowledging the necessity of governance in addressing multifaceted issues across sectors is crucial, even if this means not aligning with all interests.



3: Program Development with Local Insights

Industry associations, educational institutions, governments, innovative entrepreneurs and DMOs collaboratively shape programs, aligning them with existing ones to engage a broad spectrum of small and medium-sized enterprises (SME) entrepreneurs in comprehending the prerequisites for achieving destination development and measuring it. Tailored strategies and local perspectives stand as cornerstones of this endeavour.

4: Collective Exploration of Behavioural Change Opportunities

Educational institutions, governments, DMOs, industry associations and businesses jointly explore effective approaches to drive behavioural change among consumers and entrepreneurs. Leveraging insights from existing experiences elsewhere is paramount. By amalgamating theory and practical applications, you can generate use cases transferrable across the entire sector and beyond.

5: Establishment of a Proactive Network

An NTO unifies under an action-oriented network, exchanging knowledge, showcasing exemplary practices, connecting supply with demand and forging alliances to attain set objectives. Engaged entities transcend their current roles and consciously embrace risks. Where feasible, it's advantageous to complement and leverage existing networks and initiatives.

APPENDIX A: CASE STUDIES



Introduction

The CBRE-Place Generation (CBRE-PG) team selected three case studies to demonstrate the breadth of SROI analysis in the tourism sector at a global level. Two of these focus on Evaluative SROI, while the other uses the Forecast approach. In each case, SROI is based on the theory of change. The better the change is mapped out (from stakeholder to outcome to valuation), the more detailed knowledge and evidence-based decisions can be formed in future. With more case studies, we can focus on specific impacts of tourism (i.e., the concentration of tourism and the effects derived from saturation) or innovative interventions within a larger organization or activity, which can help make decisions based on potential generation of social value. Furthermore, the SROI ratio uses monetary value to understand broader social and economic impact, as money is a common way of conveying value.

The internationally standardized SROI methodology outlined in *A Guide to Social Return on Investment* has been used and referenced in the case studies below, and includes the following steps:

1. **Establishing Scope and Identifying Stakeholders**
2. **Mapping Outcomes**
3. **Evidencing Outcomes and Assigning a Value**
4. **Establishing Impact**
5. **Calculating the SROI**
6. **Reporting, using and embedding**

Whether it is an evaluative or forecast approach, SROI methodology is built on a set of principles: (a) involve stakeholders, (b) understand what changes, (c) value the things that matter, (d) only include what is material, (e) do not overclaim, (f) be transparent and (g) verify the results. In whichever way the methodology is defined, the key steps remain the same.

For each of the following case studies, we have looked at the type of methodology used and the potential implications for Canada, in terms of the future application of SROI analysis at the destination level.

Case Study 1: Generalife Palace UNESCO World Heritage Site in Southern Spain



Image source: [GetYourGuide](#)

Background

A typical use for SROI analysis in the tourism sector is to demonstrate the impacts on the local population of changes to a tourism-related asset. A group of researchers undertook this type of SROI analysis on the development of the Palacio del Generalife, a 12th century palace in southern Spain, classified as a UNESCO World Heritage Site. This development required significant investment and led to a range of both positive and negative effects on the surrounding destination.¹ This particular palace site is located outside the core historic city centre and has been recognized as both attracting visitors to the city, but also helping to disperse visitors to less travelled areas beyond the core. As such, the palace helps merchants, restaurateurs and business owners who are reliant on tourism. This study uses an evaluative approach to SROI, based almost entirely on primary research.

The mission of the private foundation running the palace is the “conservation of heritage, culture and popular traditions... contributing to the delight of visitors and increasing the sense of pride and belonging of local citizens.” SROI helps to identify how the palace promotes certain changes in the lives of visitors, employees, the neighbourhood, tourism-related businesses and among other interest groups, thus contributing to the fulfillment of its mission both socially and economically.

¹ Antonio Ariza-Montes, Antonio Sianes, Vicente Fernández-Rodríguez, Carmen López-Martín, Mercedes Ruíz-Lozano, and Pilar Tirado-Valencia, “[Social Return on Investment \(SROI\) to Assess the Impacts of Tourism: A Case Study](#),” SAGE Open (January-March 2021: 1-16)



Image source: [GetYourGuide](#)

Methodology

The evaluative SROI approach used the base year of 2016, which was one year after substantial remodelling of the palace, when attendance reached a peak of 100,000 visitors. The researchers spent considerable time categorizing the palace's main interest groups based on interviews. The key stakeholder groups were categorized as: private foundation, bank, visitors, employees, neighbourhood, hospitality business, local citizens, public administration, subcontractors, show viewers, researchers, show organizers, tourism office, patios network and city council. Each stakeholder group was then assigned a weighting based on three dimensions: influence, power and interest. In this case, the Private Foundation had the highest overall score and priority level.

The next step was to identify the motivations of each stakeholder group and the potential impacts of the remodelled palace site. For example, motivations of visitors included "delight, knowledge of the local culture and access to the culture of the courtyards." Potential implications ranged from the ability to enjoy the courtyards all year (as a result of the renovations) to improvement of physical health and mobility.

After impacts were identified, a subjective valuation of changes was applied based on interview results, using a criterion of relevance – A, B or C. Those with the least relevant changes (noted as C) were removed from the analysis.

An example of an item in relation to the change experienced by visitors is “Have you learned anything new about the culture and/or traditional ways of life in the city?”

Based on the information obtained, the researchers determined the amount of change experienced by each stakeholder and applied a financial proxy. An example is detailed in the table below:

The overall valuation shows that the palace generates approximately €2.7 million of social and economic value distributed among different stakeholders. Comparing the value created by the palace with the inputs (expenses of the 2016 financial year) necessary for the development of its activity (€1 million), an SROI ratio of 2.65 is obtained. This means for every euro invested by the foundation in the palace, €2.65 of economic and social value are returned.

This value was adjusted based on isolation of external factors, such as attribution, deadweight and displacement. For example, “improving knowledge of traditional ways of life” was raised to €7, based on the fact that the price of a guided tour including the entrance to the palace was €15 (less than €8 for ticket).

Stakeholder	Impact	Indicators	Incidence	Proxy
Bank	Image Improvement (loyalty and knowledge of the entity)	No. of appearances in media	Radio (162 min)	Cost of appearances in local press and radio (€672,122)



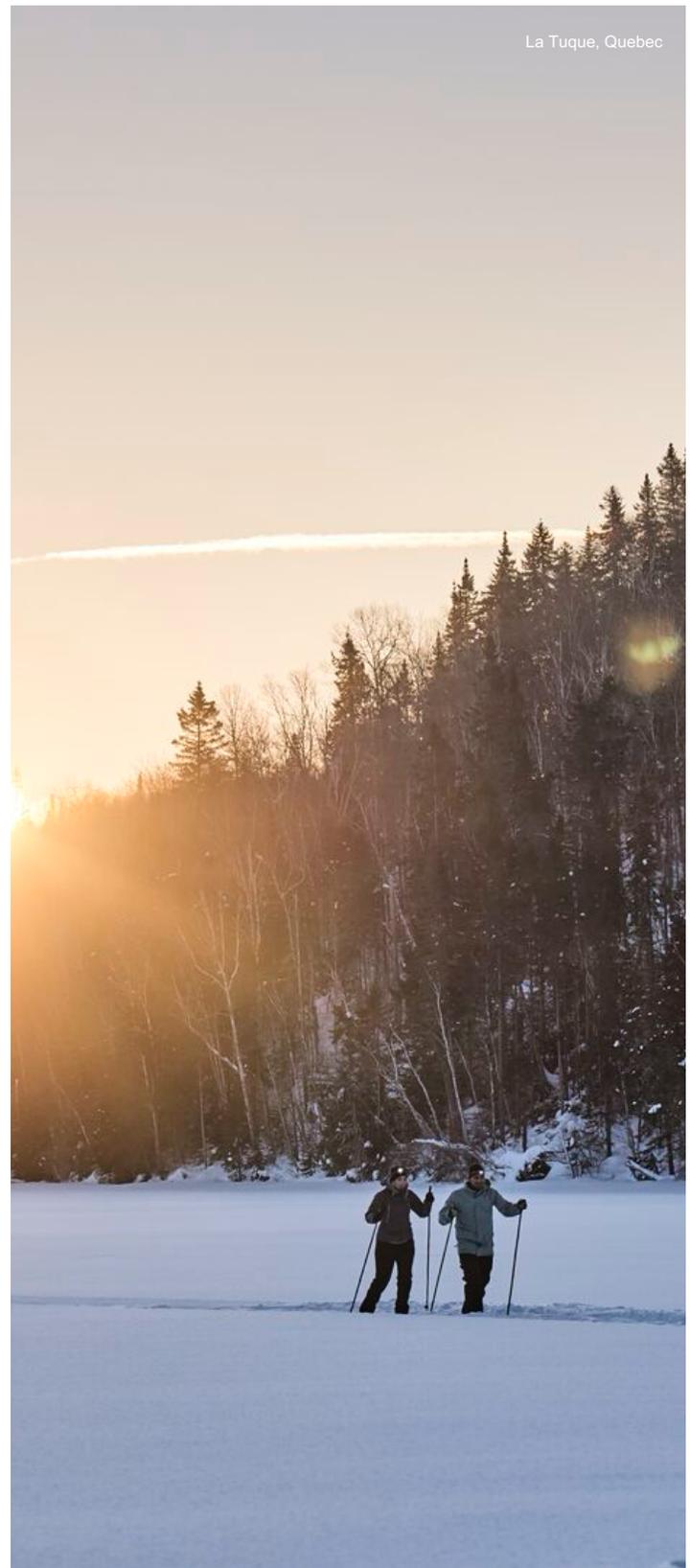
Muskoka, Ontario

Evaluation and Implications

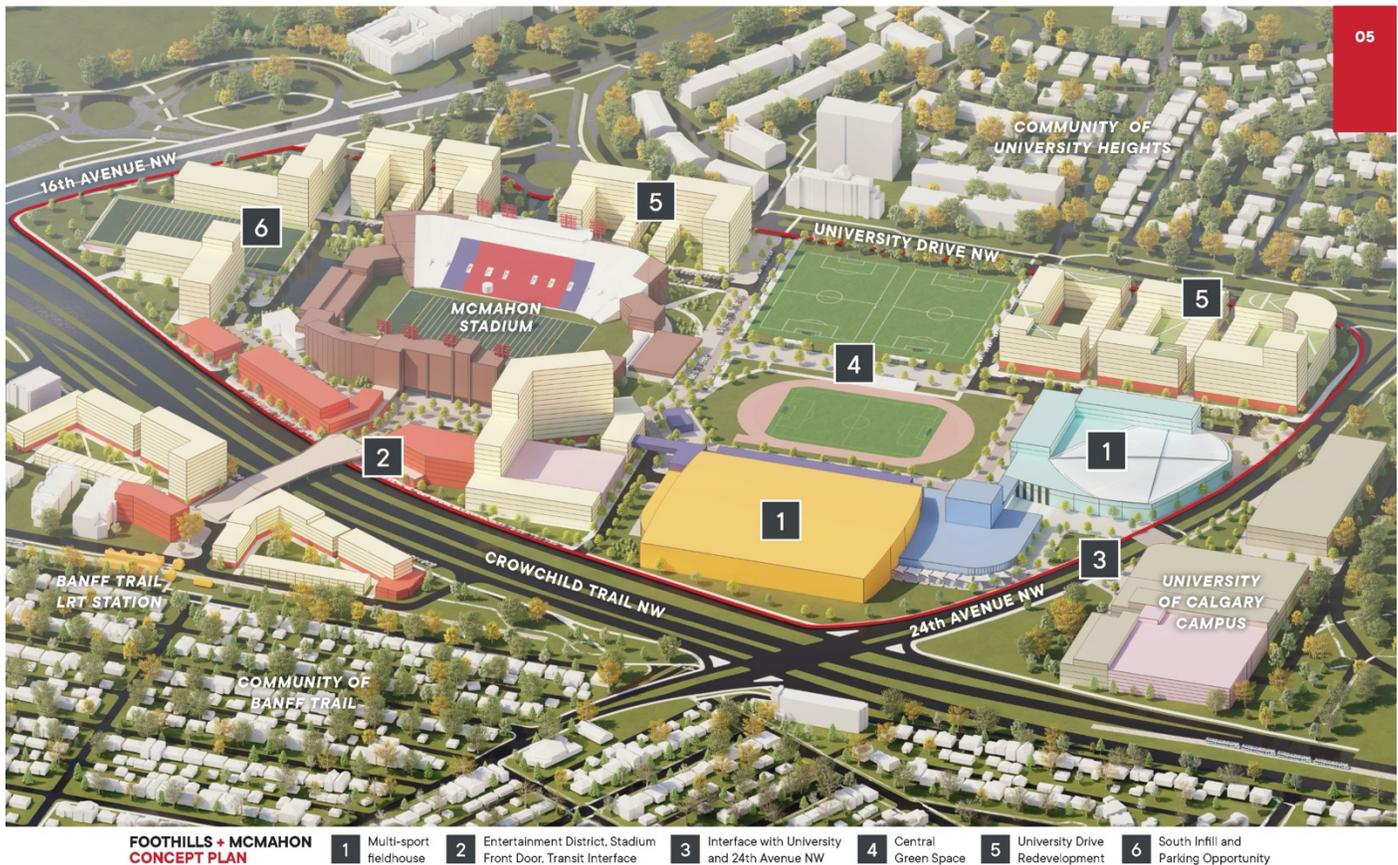
SROI analysis can overcome the traditional debate between travellers and locals by explaining how the impacts (positive or negative) are distributed among the different actors involved and the causes that drive these impacts. The results obtained have shown that visitors benefit the most from the activity of the palace, which acts as a cultural container, helping travellers to benefit from the tradition of the city and enjoy the courtyards year-round. Despite the significant value gained by visitors, the palace's impact on travellers barely represented 48% of value generated by the palace.

Residents of the neighbourhood where the palace is located were the only stakeholders in the city that received an overall negative impact. However, SROI helps to identify reasons for the neighbours' discontent: the noise produced by concerts and resulting insecurity. Also, knowledge of the needs and interests of each group of stakeholders can guide decision making in management by establishing a channel of dialogue with its stakeholders while improving transparency and accountability.

The definition and quantification of impacts by stakeholder and by activity are elements of learning that enable the identification of key areas for improvement.



Case Study 2: Foothills + McMahon Mixed-Use Village Redevelopment in Alberta



05

Image source: [City of Calgary](#)

Background

As mentioned, most examples of SROI analysis in the tourism sector are evaluative; however, our team discovered a good example of a forecast framework based on a case study in Alberta.

The City of Calgary and University of Calgary own 38 hectares in northwestern Calgary that play a significant role in sports and cultural activities in the surrounding area. These lands, known as the Foothills + McMahon lands, were identified as well-positioned for redevelopment as a mixed-use recreation and entertainment village with hotel and other accommodation options.

Having completed a Concept Plan for the village, the City and university retained a third party (Constellation Consulting Group) to conduct an SROI analysis. The purpose being to demonstrate the ongoing social, economic and environmental value that could be created, which is well beyond a typical cost-benefits analysis.

SROI analysis was seen as a way to communicate “the story of change and value created by investment.”²

² Constellation Consulting Group, (June 20, 2022), “Social Return on Investment (SROI) Analysis of the Final Foothills + McMahon Concept Plan.”



Methodology

The consulting team applied the internationally standardized SROI methodology outlined in *A Guide to Social Return on Investment* to plans and projections prepared for the project.

Step 1 is arguably the most important step in the methodology, which includes the identifying the specifics of what will be analyzed, the level of investment, the timeframes involved and the stakeholders that might experience some level of value from the project. This is particularly important for future-looking projects that are already nebulous in scope and destinations that can be difficult to define from a geographic perspective. For example, stakeholders living within the Foothills area may be impacted differently than those working in the area.

It was determined that the Foothills Athletic Park and lands around the McMahon Stadium would be included in the SROI analysis, but that the stadium itself would be excluded. A long list of stakeholders was identified, from funders, users and spectators to local businesses and residents. Finally, the cost included the initial capital cost and projected operational costs over 30 years. The timeframe involved both the initial redevelopment and operation over 30 years, with an assumption of static operational costs over the SROI analysis period as well as annual achievement of similar social outcomes within the 30-year timeframe.

For Step 2, the consultants adapted a simple approach to mapping outcomes, forming links between activities supported by investment and potential changes that the activities would create. A large component of this analysis included engagement with key stakeholders to get a clear understanding of both activities and outcomes. Each stakeholder group was assigned anticipated outcomes for SROI valuation. For example, anticipated outcomes for event attendees/spectators included increased opportunity to attend high quality sporting and other events, and increased community connection. Similar outcomes were identified for different stakeholder groups as well, for example, increased efficiency of land/infrastructure use in the redevelopment area was an anticipated outcome for both the City of Calgary and University of Calgary.

In Step 3, the consultants needed to calculate the expected number of stakeholders that would experience each mapped outcome in the SROI model. This is where the “forecast” model fits in. A **forecast SROI analysis** provides a projected value based on secondary research and reasonable expectations of outcomes, as opposed to primary research and evidence of outcomes achieved.

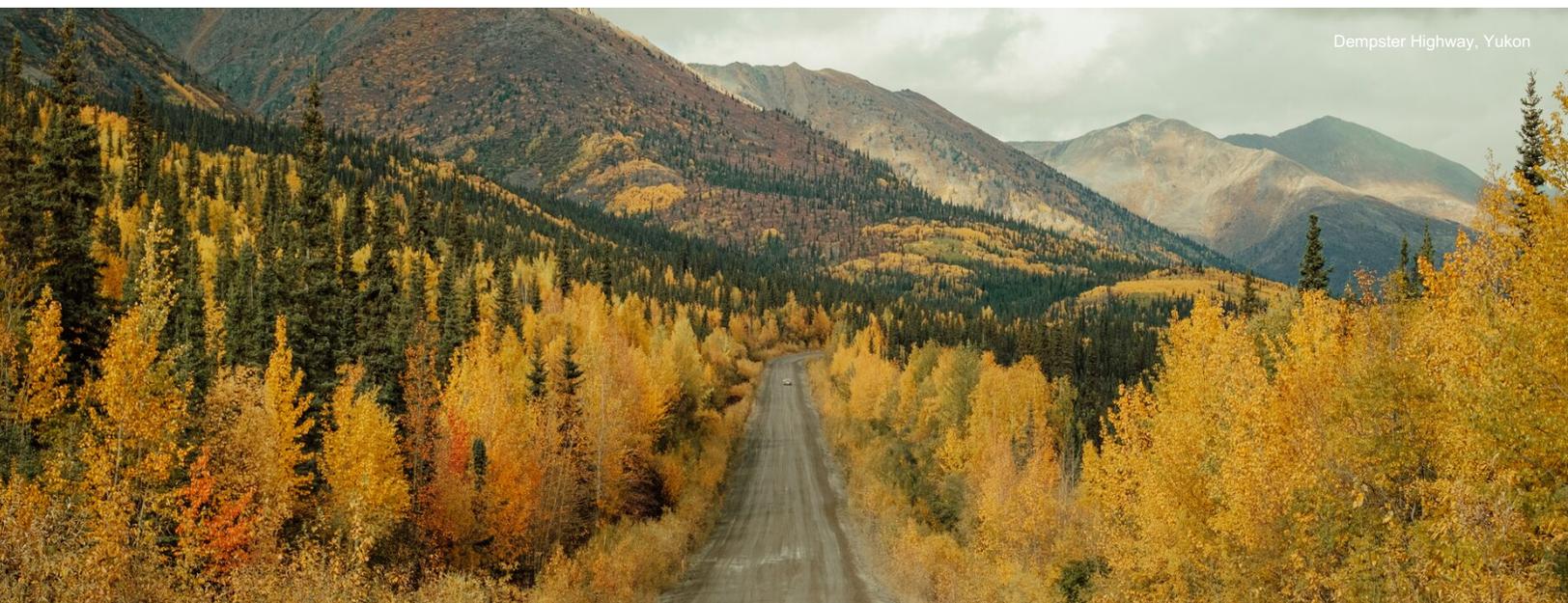
The process leverages information on existing outputs and possible outcomes, based on data from key stakeholders and reviews of existing research on social value creation by similar developments. Outcomes were valued based on financial proxies from existing research and other SROI studies. For example:

Stakeholder	Outcome	Value
Competitors / Team using Facilities	Decreased need to travel to other places for amateur sport competitions	Cost of trip out of town for event attendance

Step 4 helped to isolate other elements that are part of the outcomes being experienced. These were categorized as: deadweight, displacement or attributes. Each of these elements were applied as discounts to the value included in the SROI analysis to ensure values were not overcompensating. Overall, a 3.5% discount rate was applied to value claimed into the future to account for the time value of money.

Finally, the SROI ratio was calculated by multiplying the number of stakeholders in each grouping by the value of an anticipated outcome (using the financial proxy) and discounting for impact where necessary.

All outcomes were then compiled to generate a total present value, which was then divided by total investment. The SROI analysis of the Foothills + McMahon Concept Plan revealed an SROI ratio of 1: 4.37 over 30 years, starting in the year of construction/development. This suggests that for every dollar invested in redeveloping and operating the Foothills + McMahon lands, approximately **four dollars in social and economic value could be created.**



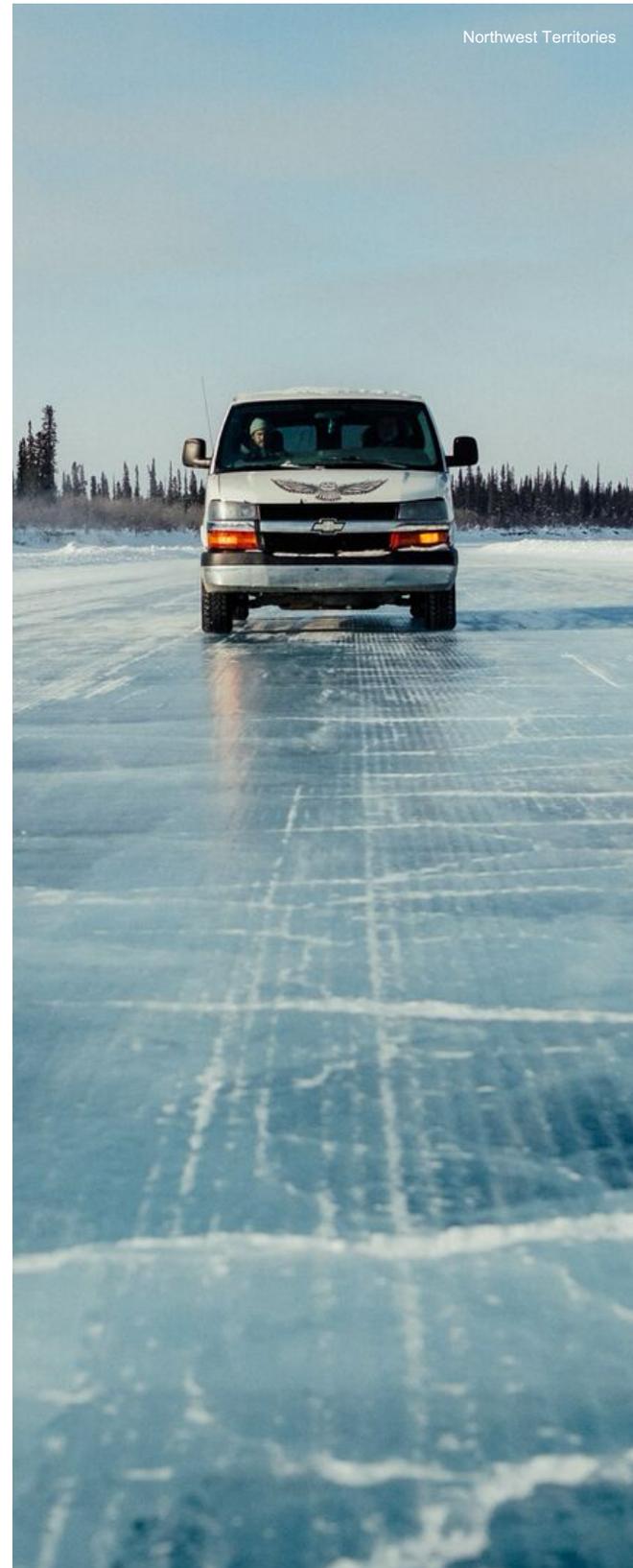
Dempster Highway, Yukon

Evaluation and Implications

Based on the SROI ratio of 1 : 4.37, it was determined that significant social and economic value could be created through the redevelopment of the Foothills + McMahon area. The anticipated value could impact multiple stakeholders, including users of the facilities, local neighbourhood residents, the University of Calgary, the City of Calgary and the Calgary community as a whole. Furthermore, the value was not only directly related to the multisport fieldhouse and outdoor recreation space, but also to transit connections, market and non-market housing, and other related businesses.

In comparison to other SROI studies of recreation/sport facilities, the SROI result is considered high, which suggests that building the entire sport and recreation village with a multisport fieldhouse and hotel was more important building than just one component. From a tourism-specific perspective, it was interesting to note that an estimated 76% of the forecasted value of the project was expected to go to individual participants in recreation activities (e.g., health and wellbeing) and those who gained employment, while the other 24% of value clearly derived from economic spinoff and increased community cohesion.

This example also demonstrates that despite identifying a defined scope for analysis, the SROI ratio can only provide a conservative estimate of the total value created. Many social outcomes are not easily translated into financial terms, and because it is a forecast, local research was limited.



Case Study 3: Omran's Intajee and Zaree Social Programs



Image source: City of Calgary - <https://engage.calgary.ca/foothills-mcmahon>

Background

Omran, the Oman Tourism Development Company, has a mandate to build capacity and capability within Oman's tourism sector and ultimately further the economic and social development of the Sultanate. In 2014, Sustainable Square published an SROI analysis of Omran's Intajee and Zaree social programs.³ As these are social initiatives, and CSR is at the core of Omran's operations, it was determined that social prosperity needed to be measured over and above financial success of the programs.

The Intajee program was developed to support and build existing micro-businesses, specifically assisting producers to create, package and label their homemade products (e.g., Intajee Salma's Chocolates in Muscat). The Zaree program provides travellers with traditional Omani experiences, giving local women in particular the skills to work in business and communicate with travellers on cruise ships or staying at local hotels.

The result of analyzing these two programs was intended to:

- Enhance or change existing programs.
- Guide future social investment strategies.
- Demonstrate success and challenges transparently with stakeholders and partners.
- Spread programmatic concepts to new partners and beneficiaries.
- Empower current and future stakeholders to make more informed, fiscally responsible decisions.

Ultimately, it was hoped the SROI would show the Intajee and Zaree programs create a shift from the individual being a cost or burden to their family, to becoming a valuable resource for the country and surrounding environment.

³ Sustainable Square, (2015), *Oman Tourism Development Company Social Return on Investment Analysis 2015*.



St. John, Newfoundland and Labrador

Methodology

The SROI analysis focused on the time period between 2010 and 2014, when these two programs were being funded and delivered. The stakeholders were people and organizations impacted by one or both of the programs, including: direct beneficiaries (e.g., farmers), attendees of the initial training, local authorities (government, Musandam Chamber, Ministry of Tourism, etc.), NGOs (Omani Women Association, Agriculture Association for Al Batinah Region Farmers), Omran Hotels, Oman Tourism Development Company (Omran), general community members, families of beneficiaries, media, other hotels and travellers. A stakeholder engagement plan was developed and each stakeholder group was assigned a target size, so that the level of consultation could be tracked (e.g., out of 34 direct beneficiaries, 25 were interviewed, demonstrating 74% achievement).

Stakeholder interviews focused on understanding motivations, activities or involvement with the program, and the anticipated outcomes. Unlike the other case studies reviewed for this project, the Omran program SROI analysis focused on both intended and unintended consequences and outcomes, and to support this all stakeholders were asked to identify positive and negative changes. For instance, an “intended change” for direct beneficiaries was the development of interpersonal skills, while an “unintended change” was to become more empowered and respected in society.

The impact mapping process involved assigning value, in Omani rial (OMR), to specific stakeholder inputs. Additional engagement was needed to identify estimated resources or investments where costs were unavailable. For instance, time of hotel staff to communicate and offer talks about crop quality was estimated at 4 staff x OMR 12.5 x 1 hour – OMR 50,000. The full costs estimated to set up the two programs was OMR 102,134.924.

Quantity and duration of change was then calculated, and approximate values were identified for each outcome, as common currency is a typical measurement for SROI. Interestingly, attempts to involve stakeholders in determining the value of change were not very successful.

The concept of valuing change was considered very challenging for some, particularly the direct beneficiaries. As such, many financial proxies were taken from research papers and local government sources. The following is one such example of application of an externally-sourced proxy and discount applied:

Indicator	Financial Proxy	Value
Feeling happier and proud.	Valuation source: This valuation has been created to help social housing providers in the UK place a value on the social outcomes of their community investment work. Technique of valuation of wellbeing in UK = OMR 7,650.000 per person per year. Based on the cost of living, average comparison between UK and Oman is (-66.2%), therefore our valuation of pride is $OMR\ 7,650.000 - 66.2\% = OMR\ 2,585.700$	OMR 2,585.700

The next step was to account for deadweight, attribution and displacement. In the case of deadweight, a cross check was made against equivalent social and environmental trends identified through secondary sources.

The SROI analysis demonstrated that the value of some outcomes would continue to have an impact over five years, however, impact would drop off. As such, the financial values in years two and three were calculated using a discount rate of 2%.

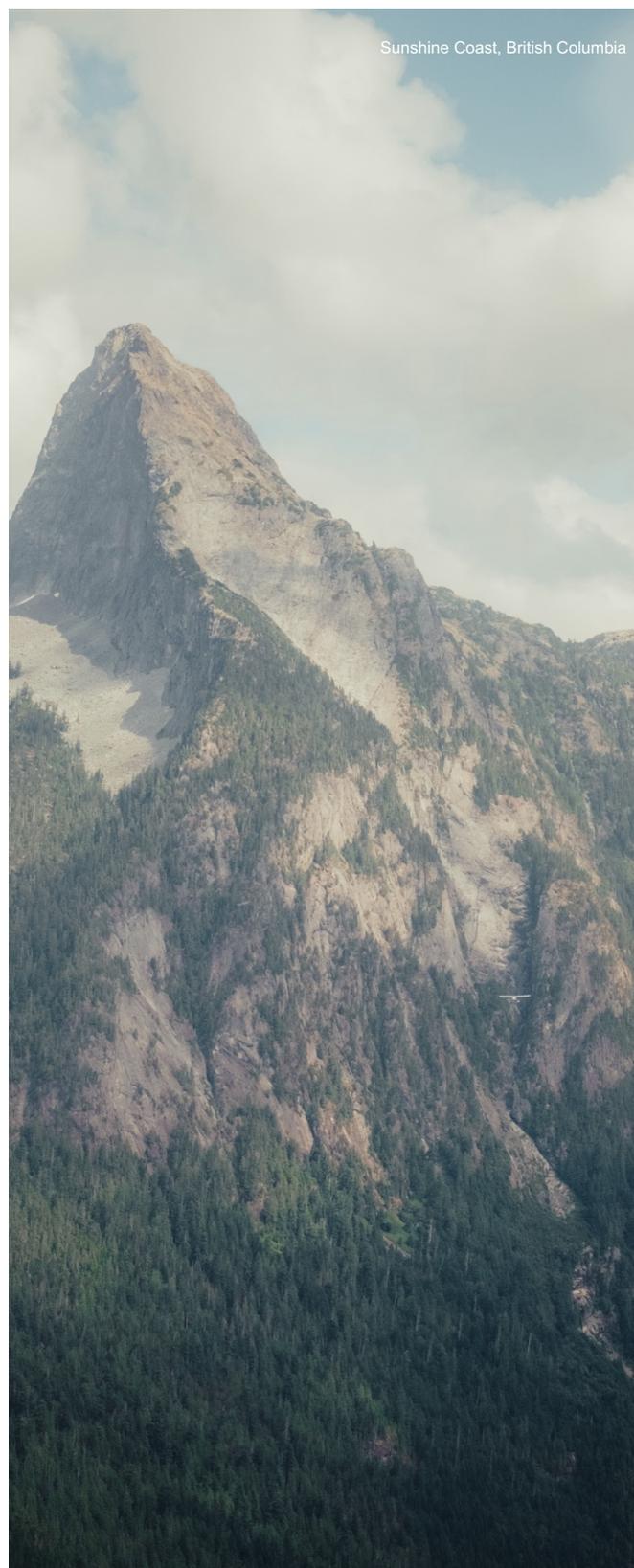


Evaluation and Implications

The total present value was calculated as OMR 251,707.310, while the total investment to generate that value was OMR 102,134.924. Therefore, the social return from investing in the Intajee and Zaree programs was predicted to be 1 : 2.46.

According to Eng. Ali Al Rasbi, the then Acting CEO of Omran, the report findings were considered favourable, particularly when compared to internationally accepted benchmarks for social programs of this nature, which show a ratio of 1 : 1.7. The success of the two programs resulted in the creation of smaller projects under the same umbrella. It also demonstrated the need to focus on mutual partnerships and improving processes and efficiencies to grow social and financial returns.

From a “lessons learned” perspective, it was noted that the results might appear deceptive, since the majority of costs for the programs involved donations and volunteer time. It was also considered conservative, due to the heavy discounting for deadweight. Furthermore, it was noted that these costs were invested in pilot programs with no track record of success, so involved significant trust from government. Ultimately, the authors note that “the potential for one participant to create a meaningful business or to inspire others could make this program have a much higher perceived impact than this measurement was able to capture.”



APPENDIX B: USE OF SROI BY NATIONAL TOURISM ORGANIZATIONS (NTOS) & PRIVATE ORGANIZATIONS

The following is a list of general examples of how SROI analysis is used in the tourism sector:

1. **Community-based tourism:**

SROI analysis helps measure the social and economic benefits generated, such as increased income for community members, improved infrastructure and enhanced cultural preservation.

2. **Ecotourism projects:**

SROI helps measure the conservation outcomes, such as habitat protection or biodiversity preservation, as well as the social benefits for local communities, such as employment opportunities and capacity building.

3. **Destination development:**

SROI analysis measures the economic benefits, such as job creation and increased revenue, as well as the social and environmental outcomes, such as community wellbeing and sustainable resource management.

4. **Tourism training and education programs:**

SROI measures the impact on individuals' employability, income levels and overall wellbeing, as well as the benefits for the tourism industry in terms of skilled workforce development.

These types of projects can either be undertaken by NTOs or regional tourism organizations, through private-public partnerships, or by the private sector alone.

The Netherlands

The tourism industry's escalating impact demands substantial investment and professionalization to ensure visitors contribute to the prosperity of the Netherlands. Prioritizing tourism in policymaking, transforming DMOs and fostering joint public-private investment agendas are key in their plan. Collaboration, innovative financing and a national data alliance are proposed to address long-term challenges and enhance competitiveness and sustainability in the tourism sector.

Croatia

Recognizing the need for a robust knowledge base to effectively steer sustainability, Croatia introduced the Sustainable Tourism Observatory, known as CROSTO, in 2016. This project monitors the sustainability of tourism development along the Adriatic coast, adhering to international UN Tourism definitions and standards, including the European Tourism Indicator System (ETIS). Actions under CROSTO include engaging local stakeholders, standardizing measurements in surrounding regions, initiating research projects, and developing a handbook to accelerate the application and implementation of insights in these areas.

Slovenia

Slovenia consolidates various sustainability certifications under its own Slovenia Green label. Both destinations and entrepreneurs with existing certifications (each meeting international standards such as the Global Sustainable Tourism Council Criteria) can qualify for the Slovenia Green label. In exchange, Slovenia's national tourism bureau provides participating parties with enhanced promotional opportunities, further enhancing the appeal of participation.

Uruguay

Uruguay launched a project called Uruguay Natural in 2020 that would incentivize businesses to receive a “green certification” for tourism if they comply with certain standards. [Aeropuertos Uruguay](#) also launched a campaign in 2023 called Uruguayans by Nature, backed by the Uruguayan Ministry of Tourism. The campaign is to encourage travellers to enjoy the natural beauty of the country while making responsible travel choices.

New Zealand

Assessing the achievement of the Tourism 2025 & Beyond objectives will serve as a gauge of the effectiveness of the Sustainable Growth Framework. Alongside this New Zealand will persist in monitoring various pivotal industry goals like seasonality, regional distribution and aviation capacity. Collaborating with both public and private partners, the plan aims to explore additional concrete benchmarks for industry advancement, such as establishing a continuous record of carbon footprint within the tourism sector over an extended period. New Zealand monitors support for tourism by residents as one of their key measures.

Hawaii

In response to rising visitor numbers and changing perceptions toward tourism, Hawaii has shifted its focus from marketing to a more comprehensive approach termed “destination management”. Emphasizing Hawaiian culture, community engagement, and environmental preservation, the strategic plan aims to educate visitors on responsible travel while dedicating resources to support natural and cultural heritage. Hawaii adopts a more systematic approach, responding to community concerns and legislative invitations. The Hawaiian Tourism Authority has restructured around four pillars focusing on natural resources, Hawaiian culture, community engagement and brand marketing, aiming to protect Hawaii's unique identity and promote tourism's positive contributions in a coordinated and authentic manner that benefits both residents and visitors alike.

Vanuatu

Vanuatu aims to protect its unique environment, culture and people through sustainable tourism. The goals include managing a responsible tourism industry, connecting visitors with the local environment and culture, developing sustainable tourism services, preserving Vanuatu's natural and cultural resources, and ensuring that responsible tourism contributes to the wellbeing and prosperity of the country and its people.

Tahiti

The Fari'ira'a Manihini 2027 framework aims to strengthen a genuine connection between locals and visitors. Despite hosting a record 236,000 visitors in 2019, French Polynesia is not pursuing mass tourism. Instead, Tahiti prioritizes elongated stays, spreading tourist influx and financial gains across various islands. Infrastructure enhancements aim to divert attention from well-known spots like Tahiti, Moorea and Bora Bora, promoting the equally stunning yet less-visited Islands of Tahiti. If successful, this strategy could prompt a re-evaluation by 2027. More than 95 initiatives and 40 sub-activities, spanning waste management, improved Wi-Fi and eco-tourism developments are outlined, transcending mere visitor numbers. Interesting is the one-on-one aim: one visitor for one resident.

PRIVATE AND PUBLIC-PRIVATE PARTNERSHIP EXAMPLES

Grootbos Private Nature Reserve, South Africa

Grootbos is a luxury eco-lodge located in South Africa that focuses on conservation and community development. SROI analysis was used to assess the social and environmental impacts of their initiatives, including job creation, community development programs and conservation efforts. The analysis demonstrated the positive returns on investment in terms of improved livelihoods, biodiversity conservation and community empowerment.

Understanding the importance of its programs to the local community, Grootbos Private Nature Reserve and the Grootbos Foundation has helped to overcome food insecurity after the pandemic by transforming an early learning facility into a feeding scheme hub. Over 300,000 meals were supplied into the community to assist those in need.

TUI Group, Global

TUI Group, a leading travel and tourism company, has implemented SROI analysis to evaluate the social and economic impacts of its sustainability initiatives. The analysis assessed the benefits of their programs, including reducing carbon emissions, supporting local communities and promoting sustainable practices. It helped TUI Group prioritize investments and communicate the value created by their sustainability efforts to stakeholders.

THANK YOU

FOR MORE INFORMATION

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