Debbie Haski-Leventhal

Foreword by David Cooperrider

STRATEGIC CORPORATE SOCIAL RESPONSIBILITY

Tools & Theories for Responsible Management
To my husband, Paul, who is the wind beneath my wings, and to our two daughters, Emily and Michaela, who inspire me in their compassion and sustainable mindset and who make the journey towards a world of CSR even more purposeful.

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Learning outcomes

By the end of this chapter, students should be able to:

- define social impact
- explain the importance of measuring it
- detail some of the currently available tools and frameworks
- discuss the related challenges and how to overcome them.

Case study  Thankyou – Innovative social impact assessment and communication

The social enterprise Thankyou is an example of how a few young adults with a passion for a cause can question and change existing systems and have a positive impact on the lives of many. Thankyou Water was established in 2008 by three young Australians (Daniel Flynn, Justine Flynn and Jarryd Burns) to address the global water crisis. The idea was born when Daniel Flynn discovered through a university assignment that almost 900 million people across the world do not have access to safe drinking water, while the Australian bottled water industry is worth approximately AU$600 million. Together with a group of friends, Flynn decided to launch a bottled water company with the aim of donating 100 per cent of its profits to funding water provision and projects in developing countries.

After a few difficult years, Thankyou Water managed to get on the shelves of all the big supermarkets in Australia. In 2013, the social enterprise rebranded itself as Thankyou and expanded its product range to include food (to address food insecurity) and bodycare products (to address sanitation and hygiene in the developing world). Today, Thankyou’s product range comprises over 50 products available for purchase on its website as well as in retail stores, including all the leading supermarkets in Australia. In 2016, Thankyou launched a babycare range (Thankyou Baby) to address child and maternal health issues and started work to set up Thankyou in New Zealand. To fund the new goals and product lines, Daniel Flynn wrote a book (Chapter One), and launched a ‘pay what you want’ campaign for the book. Thankyou managed to raise over AU$1.4m in 28 days due to high consumer loyalty and a reliable network, and as of February 2017 the company had sold over 93,000 books.

Thankyou is owned by a registered charitable entity, the Thankyou Charitable Trust, and employs 55 people. After accounting for the enterprise’s operating
costs, the company gives 100 per cent of its profits to the Trust to fund the various programmes being implemented by its project partners. The company works with a number of significant organisations, including Oxfam, World Vision, UNICEF, Splash and One Heart World-Wide.

Thankyou had to compete with established water, food, bodycare and baby product brands and overcome various tests and challenges to become one of the most awarded and celebrated enterprises in Australia. Its aim is in alignment with the first UN SDG to eliminate global poverty by 2030. Thankyou has harnessed the use of social media to involve its consumers in its efforts to make a difference. Thankyou is transparent in its operations and provides its customers with easy access to information on its financials, successes and struggles. This social enterprise has received a number of awards such as the Westpac 200 Businesses of Tomorrow 2017 and the Anthill Cool Company Awards 2016. Daniel Flynn has also won the 2015 EY Entrepreneur of the Year Award and has been an Australian of the Year Award finalist.

Thankyou takes its social impact measurement very seriously. The social enterprise currently funds projects in India, Vietnam, Cambodia, Laos, Nepal, Bangladesh, Myanmar, Sri Lanka, Papua New Guinea, Timor-Leste, Vanuatu and Australia. According to the company’s social impact reports in 2017, Thankyou has given over AU$5.5 million to people in need and funded water and sanitation services for 545,360 people, food provision for 132,664 people, with over 28.7 million days of food, as well as maternal health services for 77,314 people within just the first eight months of the launch of Thankyou Baby. The company’s work has helped families in developing countries avoid disease and sickness by providing access to clean, safe drinking water.

Thankyou measures and communicates its social impact to its loyal customers and other stakeholders and, like everything it does, this too is unique and innovative. The company developed an ‘impact tracker’ (Track Your Impact) so every Thankyou product has a unique code used to inform customers of the exact GPS coordinates of the area they are impacting along with details of the project. Customers can also create a profile with all their tracking codes and, once a project is completed, the customer receives a social impact report.

In addition to the company’s intended positive impact (e.g. providing clean water), its work has created unintended positive impacts as people are no longer sick and are able to attend school, get a job and come out of poverty. The company has empowered people to use their limited financial resources for business and economic purposes as opposed to spending money on water or medical treatment.

(Continued)
This has enabled families to lift themselves out of poverty and send their children to school, giving them the opportunity to have careers and improve their standard of living. However, Thankyou also creates an unintended negative impact. As its water bottles and product packaging involve a significant use of plastic, the company appears to be contributing to the issue of waste generation.

Through its simple messaging, sleek product design and packaging and honest interaction with consumers, Thankyou has made giving ‘cool’ and impact measurement a concept for all to understand and appreciate. As Daniel Flynn stated in his book, *Chapter One*, Thankyou is a social enterprise that high-fived the status quo, with a chair. The operating model of the enterprise is disruptive – it challenged every rule in the book and has attempted to change the way things are done. This enterprise is a testament to how if people push through challenges and keep reminding themselves of their ‘why,’ their purpose, they can change the way the game is played.

Questions

1. Why do you think so many people find Thankyou to be an inspiring organisation? Why has the enterprise won so many awards?
2. Why is it important for a company like Thankyou to be transparent and report on its social impact to all its stakeholders all the time?
3. Although it is only a small social enterprise in Australia, what can the big corporations learn from Thankyou about measuring and reporting on impact?
4. Examine the social impact reported in this case and organise it according to input (what they give), output (what comes out of it) or long-term societal impact. What did you learn from this?
5. How can big corporates work better with social enterprises to increase their social impact?

Bibliography


Links


Chapter One (2017) Available at: www.youtube.com/watch?v=Yx44cXeKC7s (Accessed: 23 April 2017)


Introduction: What gets measured gets managed

Since the early 1990s, there has been an increasing demand from funders, tax-payers and citizens regarding the accountability and responsibility of not-for-profits to demonstrate the impact they create using donations and grants. Emphasis has been placed on the impact and long-term outcomes that not-for-profits have been able to create and the extent to which they have been successful in addressing complex social problems such as poverty and inequality (Ebrahim and Rangan, 2010). As such, the concept of social impact was discussed and developed, with appropriate tools and frameworks to allow such organisations to measure the impact they create.

In recent years, similar expectations have started to emerge in regard to companies’ CSR and social businesses. If companies receive tax benefits when they give to charity, utilise employees’ money and time to benefit the community and claim that they benefit society, shouldn't they be held accountable and demonstrate the impact they claim to create? Measuring impact allows companies to prove that they really are making a difference, to measure their progress and to allow others to compare the impact made by their company to other companies.

Furthermore, the lines between investors and funders have recently begun to blur, giving rise to concepts such as ‘social accountability’ or ‘social return on investment’ and the discussion on corporate social impact has started to penetrate the corporations’ boardrooms. There has also been a rise in the formalisation of social impact, particularly in the developed world, which has seen the creation of tools and frameworks to measure social impact as well as the emergence of experts (including auditors and evaluators) around impact measurement. These developments create a great opportunity for corporations to start measuring their impact and engage stakeholders in their story of change.

However, often, too often perhaps, CSR reports tend to focus on input, that is what the company has invested in contributing to society, such as the amount of money given or the number of employees who volunteered in the previous year for so many hours. Some companies also report on the activities that took place, but it is still rare to find reports that measure and communicate the long-term outcomes their CSR had on society and the planet. However, social impact assessment indicates a focus on the results of an activity and not on the activity itself. In other
words, we need to focus on the outcomes of an activity and not on the processes, inputs or outputs that make up an activity.

In addition, impact is sometimes communicated in qualitative terms such as ‘we are saving lives’ or ‘our organisation has made a difference in the education of many children’. However, these statements do not assess the measureable impact or effectiveness of an organisation, demonstrate progress over time or allow for comparisons. Companies need to measure their impact and report it, showing the actual difference that was made to whom over a certain period of time.

As such, in this chapter we will offer definitions of social impact, explain the importance of measuring it, detail some of the current tools and frameworks to allow more systematic measurement and comparisons, and discuss the related challenges and how to overcome them.

**Social impact, collective impact and social impact assessment**

*Social impact* (or mission-related impact) has many definitions and frameworks, and while there is no one agreed-upon definition, most of the existing ones include the aspects of positive change due to intervention. One such definition is offered by the International Association for Impact Assessment (IAIA), which defines impact as change to one or more of the following: ‘people’s way of life, their culture, community, political systems, environment, health and wellbeing, personal property and rights and their fears and aspirations’ (Vanclay, 2003: 8). In this definition, the focus is on the object of change. The definition provides a relatively narrow list of items that, when changed for the better, social impact is created. While we can think of items that are not on the list (e.g. education), some of the items listed are broad enough to include almost anything. As such, we can include education and most of the other items on the list under ‘wellbeing’.

Another definition, offered by Auerswald (2009: 52), describes social impact as ‘the creation of benefits or reductions of costs for society – through efforts to address societal needs and problems – in ways that go beyond the private gains and general benefits of market activity’. This definition is quite different from the first one and examines the ‘what’ (benefits or reduction in costs), the ‘how’ (efforts to address problems) and the ‘why’ (the desire to go beyond maximising profits) of social impact.

While most definitions of social impact usually focus on the creation of benefits to some group of people/animals or the environment, it should be noted that social impact could also prevent negative results, such as mortality, illness or crime, while also reducing costs for governments and society. If a company is involved in enhancing people’s physical and psychological wellbeing as part of its CSR, it may indirectly reduce mortality rates, stress and suicide attempts while
also saving taxpayer money in the long run, with a reduced need for healthcare and a reduction in healthcare costs. For example, Meals on Wheels America, due to its safety checks in elderly people’s homes, helps to prevent falls which cost the nation US$34 billion each year. By helping to reduce the number of falls, the organisation helps to further reduce illnesses, injuries and mental disorders while also saving money.

Collective impact is the commitment of a group of actors from different sectors to a common agenda for solving a specific social problem, using a structured form of collaboration (Kania and Kramer, 2011). According to Kania and Kramer, the concept of collective impact is based on the idea that for organisations (be it not-for-profits or companies) to create long-lasting and sustainable solutions to social and environmental problems on a large scale, they need to co-ordinate their efforts, create cross-sector coalitions and work together around clearly defined goals. This is opposed to what these authors call ‘isolated impact’, an approach oriented towards finding and funding a solution embodied within a single organisation, with the hope of growing or replicating the programme to extend their impact more widely.

Social impact assessment (SIA) or measurement includes the ‘processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions’ (Vanclay, 2003: 5). Based on this definition, SIA comprises three main activities: analysis (including qualitative and quantitative data analysis), monitoring (which may include auditing, comparisons to other organisations or to previous performance) and managing the impact created by the company (including setting direction, goals and objectives and ensuring the achievement of the same).

Interestingly, this definition includes unintended and negative impact, while most companies tend to measure intended and positive impact. By measuring the unintended negative impact a company might have, it can help monitor, control and reduce it or even find alternative ways of contributing to society that might avoid the negative impact altogether. For example, our opening case of Thankyou might have a negative impact on the environment due to the plastic bottles it sells. Measuring the negative impact and finding ways to reduce it (e.g. using recyclable plastic) might help the company to be and be perceived as being ‘more holistically good’.

Another example is TOMS Shoes (www.toms.com). TOMS was established in 2006 with CSR as its main purpose. TOMS is often seen as a social business, because for every pair of shoes TOMS sells in the developed world, it gives a free pair of shoes to a child in need. From the company’s early days, founder Blake Mycoskie, who was motivated by the poverty he encountered in Argentina, has worked to holistically integrate sustainable and responsible practices, from the materials used to make the shoes (natural hemp, organic cotton and recycled polyester) to the packaging used for the shoes (made from 80 per cent recycled post-consumer waste and printed with soy ink). Obviously, the company has tremendous positive outcomes (children receiving shoes) and long-term impact.
Shoes give children a mode of transportation, health and safety. For some children, having shoes means the ability to walk to school and get an education, while for others it means staying healthy and safe, the ability to help their family, and so on. It is also an example of strategic CSR, as the company’s giving is fully aligned with its core operations. However, TOMS has been criticised for having (unintended) negative impact on local markets, including shoemakers and retailers running out of business in areas where the company donates its shoes (Wydick, 2015). In 2010, TOMS was involved in measuring its social impact and the team working on it measured the impact on local markets in El Salvador, discovering that while it was not significant, TOMS still had some negative impact on local markets. Measuring this allowed the company to be more aware of the negative impact, monitor it and strive to reduce it.

The importance of measuring impact

Social impact assessment takes time, effort and money and social impact can be very difficult to quantify and measure accurately. Some companies argue that instead of putting all these resources into measuring social impact, they might as well just focus on creating it. However, measuring social impact can help improve the benefits to society, the same way that conducting quality control on products the company sells helps to improve the product and ensure market satisfaction. It is therefore highly essential to measure the social impact of CSR and corporate giving, for several reasons, detailed below:

Constant benchmarking and improvement: According to McKinsey & Company (2017a, 2017b), the goal of social impact assessment is to drive improvements that increase the value of programmes to the people they serve. Social impact assessment helps organisations to plan better, implement more effectively and successfully bring initiatives to scale. Indeed, social impact assessment can improve the impact made, as what gets measured gets done. If a company gives millions of dollars to charity without social impact assessment, how does it know that the money was invested in the best way possible? How does it know that the money, taken from shareholders, governments and other stakeholders, really served society? And how can it improve on what it does without benchmarking and comparing its impact to others?

Accountability: Assessment also facilitates accountability, which is the obligation on the company to account for its activities, accept responsibility for them and disclose the results in a transparent manner. It also includes the responsibility for money or other entrusted property. The same accountability and transparency that a company should have in regard to the use of shareholder money need to apply
to corporate giving. Being accountable about the company's CSR and philanthropy can help guide the allocation of scarce resources in the most effective way.

**Stakeholder management:** Social impact assessment is part of good corporate stakeholder responsibility and stakeholder integration. There are many stakeholders who affect or who are affected by the company's giving, from shareholders whose money is used for CSR activities to employees who give time for these activities, but most of all, the community and the recipients (both direct and indirect) of CSR. Responsibility to these stakeholders and constant communication with them is also translated into disclosing the positive and negative impacts of the company.

**Inspiring others:** By measuring and reporting on their social impact, companies can inspire others to be involved (as will be further discussed in Chapter 9). This is not about the company raving about its performance, rather it is about the company becoming a CSR leader to inspire and encourage others to do the same, even its competitors. When other companies see the scale of the impact that was made and how CSR can make a difference to society and to the environment, they might be encouraged to be part of the movement for change. If others replicate the CSR programmes of a certain company, this actually contributes to a higher level of (collective) impact.

**Clear goals:** Measuring social impact can also help companies to identify and articulate their CSR goals and objectives. When objectives are made in quantifiable and measurable terms, not only is it easier to measure their achievement but it can also clarify the pathways to achieve these goals. While it might be tempting to keep goals obscure so that we do not fail, measurable objectives are the only way to really know whether we have succeeded.

### Social impact measurement tools and methods

With more and more companies beginning to talk about the need to create and measure social impact and with the benefits of social impact assessment receiving more attention, the applications of existing social impact assessment tools started to emerge and new tools and methods were further developed. These developments made social impact assessment more accessible and further contributed to the constant need and desire to measure.

There are many (possibly over 20) social impact assessment tools and frameworks, which differ by their level of sophistication, the knowledge required to use them, their target audience and whether they are more quantitative or qualitative. This chapter will not provide information on all of these tools and frameworks, but will detail several of these and offer a starting point for those interested in perusing more information on social impact assessment. Some of these tools were used for many
<table>
<thead>
<tr>
<th>Method</th>
<th>What it is</th>
<th>Benefits</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logic models</td>
<td>A graphic display of the relationship between inputs, activities and results (outcomes and long-term impact).</td>
<td>• Easy to develop and comprehend.</td>
<td>• No monetisation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Establishes a clear link between inputs/activities and results.</td>
<td>• Comparison issues.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Differentiates between input, short-term and long-term results.</td>
<td>• Difficult for collective impact measurement.</td>
</tr>
<tr>
<td>Theory of change</td>
<td>A framework that suggests starting with the desired impact and working backwards to activities and input.</td>
<td>• Similar to the benefits of logic models.</td>
<td>• Weak analytical tests of causal links in the model.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Focuses on the end results.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ensures that activities serve results.</td>
<td></td>
</tr>
<tr>
<td>Social return on investment</td>
<td>A framework for measuring and accounting for value; incorporating social, environmental and economic costs and benefits.</td>
<td>• Different stakeholder perspectives.</td>
<td>• Similar to the limitations of logic models.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Measures both financial and social values.</td>
<td>• Risk of not measuring impact, only aiming towards it.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Converts social impact into financial language.</td>
<td>• Time-consuming.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Can both forecast and evaluate.</td>
<td>• Too much focus on monetary results.</td>
</tr>
<tr>
<td>Social audit and accounting</td>
<td>A framework for the ongoing monitoring and evaluating of impact as part of the company's accountability to internal and external stakeholders.</td>
<td>• Offers a holistic and easy-to-follow process of examining impact.</td>
<td>• An outcome rather than a process evaluation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Takes into account external stakeholders' perspective.</td>
<td>• Requires a diverse skill set and accreditation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Provides a rich source of information.</td>
<td>• Can be labour-intensive.</td>
</tr>
<tr>
<td>SIMPLE (Social IMPact measurement for Local Economies)</td>
<td>A framework that involves an internal strategic review, alongside an outcomes-based assessment.</td>
<td>• Universally applicable to all socially motivated businesses across different sectors and contexts.</td>
<td>• Not explicitly recognised by funders and lenders.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Effective in start-ups and strategic planning.</td>
<td>• Lack of empirical research.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Helps procurement and funding opportunities.</td>
<td>• Stages are not all clear.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Assists in identifying key areas of performance.</td>
<td>• Difficult to implement the ‘embed it’ stage.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Not enough support and evidence on its effectiveness.</td>
</tr>
</tbody>
</table>

**Figure 8.1** Several social impact assessment tools, their benefits and limitations
years among not-for-profits and social enterprises, while others are more tailored to the needs of corporations. In this chapter, we will focus mainly on logic models, theory of change, social return on investment (SROI), social accounting and audit (SAA) and SIMPLE. Each of these tools will be discussed next, with the benefits and limitations of the various tools and methods listed in Figure 8.1.

Logic models

Logic models are frameworks used for programme planning, management and evaluation. A logic model (also known as a 'logical framework', 'programme logic' and 'programme theory' or 'impact value chain') is an easy to understand graphic display of the relationship between the programme’s resources (inputs), activities and intended or actual results, both short term (often referred to as outcomes) and long term (impact) (Kaplan and Garrett, 2005).

![Logic Model Diagram]

Figure 8.2  The basic logic model

Logic models include several components that are read from left to right and follow a chain of reasoning or ‘If x then y’ statements, which connect the programme’s parts (see Figure 8.2). These components are often mistakenly used interchangeably. Some companies declare to report their impact but only report on input and activities, as it is a lot harder to measure the long-term macro-level impacts an organisation has had on society. Figure 8.2 summarises these five components and defines them to assist in clearly differentiating the various stages of impact creation.

To illustrate, let us use a well-known international not-for-profit, Meals on Wheels America. On its website it declares (italics for emphasis, not in original):
Meals on Wheels America is the oldest and largest national organization supporting the more than 5,000 community-based senior nutrition programs across the country that are dedicated to addressing senior hunger and isolation. This network exists in virtually every community in America and, along with more than two million volunteers, delivers the nutritious meals, friendly visits and safety checks that enable America’s seniors to live nourished lives with independence and dignity. By providing funding, leadership, research, education and advocacy support, Meals on Wheels America empowers its local member programs to strengthen their communities, one senior at a time.

Let’s apply this statement to a logic model. By examining this quote (without even delving into the company’s annual reports) we can see some of the resources/inputs used. The human resources include many paid staff and two million volunteers (assuming each one gives at least two hours per week, the time resources = four million hours). There is also the food, the money, the physical buildings and venues, the cars, the petrol, and so on and so forth. With additional work, one can actually assign a dollar value to all these inputs.

Then there are the activities. In this case the main activity is the preparation and delivery of meals. Volunteers collect the meals that someone else has prepared and deliver them to senior people in need. In activities, we can also include the operation management and the facilitation of all these millions of meal deliveries that take place all over the country every year. In the above statement, the organisation further states that it has additional activities ‘providing funding, leadership, research, education and advocacy support’.

The outputs are the direct products of this programme. While the original main output was to deliver ‘nutritious meals’ to senior citizens, over time it was realised that by visiting the elderly, volunteers can also check that they are safe and healthy, and offer them some social connections as well: ‘nutritious meals, friendly visits and safety checks.’ Some volunteers take their children with them when delivering the meals and it can be a real joy for lonely older people.

The outcomes are changes to the lives and wellbeing of the service recipients and other stakeholders, or, as stated above, ‘addressing senior hunger and isolation’ and ‘nourished lives with independence and dignity’. People’s physical wellbeing should increase as a result of receiving nutritious meals, avoiding the consequences of food insecurity and having someone check if they are injured or ill. Their psychological wellbeing should increase as a result of social interactions, increased dignity and reduced stress.

Finally, the macro long-term impact is also stated in the above: ‘empowering local member programmes to strengthen their communities.’ When people volunteer and connect with one another, the social capital in the community increases. Social capital has many definitions but can be perceived as the social connections and connectedness in the community, resulting in co-operation, mutual benefits, trust and resilience. When communities have high levels of social capital, their
overall wellbeing is increased and they are more resilient when facing difficulties. Think, for example, of how a well-connected community would face a natural disaster compared to one in which everyone is isolated. Such a long-term macro-level impact has many benefits, in addition to the overall increase in food security and people's wellbeing, which in turn can also prevent other negative impacts and save resources for society and the government.

When measuring impact, the organisation could/should quantify all these measures. Setting clear and measurable objectives for a programme means using numbers and a timeline and providing evidence that the impact has been achieved. For example, Meals on Wheels America might set objectives as follows: in 12 months, service recipients will report on higher levels of health and sense of security. Indeed, on the company's website, it is reported that 83 per cent of recipients say they have improved health, 92 per cent say the service enables them to stay at home, while 87 per cent say it allows them to stay at home. There are measures and indicators to many of the above outputs, outcomes and impacts, which can assist CSR programmes in measuring their social impact. Setting goals, collecting data, measuring results in comparison to these goals and reporting on all of the above are at the essence of social impact assessment.

The logic model is relatively easy to develop and comprehend, and it does not take advanced knowledge and many resources to put into practice. The model establishes a clear link between inputs/activities and results and therefore can help improve any of these components. It helps to differentiate between input, short-term and long-term results, which is a well-known pitfall of social impact assessment. Logic models can be used as a planning tool when developing a policy or a programme strategy as well as an assessment tool.

On the other hand, it does not necessarily offer a quantitative measure of impact; in particular, it does not help understand the impact in monetary terms. It poses some comparison issues, as each organisation might develop its own story using the logic models. Furthermore, it is difficult (but not impossible) to use logic models for collective impact measurement, and the analytical tests of causal links in the model are weak.

**EXERCISE**

1. Examine the opening case of Thankyou. What are the inputs, activities, outputs, outcomes and impact the organisation achieves?
2. Look for an annual report of a large corporation and examine the way it reports on its social impact. What is measured? What is reported and not reported upon? What can you learn from this?
Theory of change

Theory of change is similar to the logic model as it also uses the same components, namely input, activities, outputs and outcomes. However, it is different in the sense that it works from the end backwards. Theory of change is a framework that suggests to start with the desired impact and work from there all the way to activities and input. Instead of trying to measure the impact of what it is that we are already doing, we plan the activities based on the impact we want to achieve.

Theory of change is an approach to planning and evaluating activities, projects, services or communities of service to deliver identified long-term changes, or outcomes (Connell and Kubisch, 1998). The approach involves the identification of desired outcomes, and uses a ‘backwards planning’ approach to map the intermediate outcomes and activities, or interventions, required to deliver these long-term changes. As such, theory of change requires the following five steps in the following order (see also Figure 8.3):

1. **Identify the desired impact** (or long-term outcomes) and articulate the assumptions associated with these outcomes. What is it that your organisation desires to achieve? In the case of Thankyou, Daniel Flynn and other co-founders were deeply moved by the fact that 900 million people today do not have access to safe water. Their goal was to change that, and this is how they started. Other organisations will have other large-scale and long-term goals such as gender equity, addressing poverty or building strong and resilient communities, just to name a few.

2. Use a ‘backwards mapping’ technique to understand the pathway to change. What intermediate outcomes are required to deliver the desired long-term impact? In the case of Thankyou, the founders thought about what was required to start building sustainable water sources in developing and underprivileged communities.

3. Develop indicators for outcomes so that progress towards long-term outcomes can be measured and evidenced. As mentioned above, this is the stage at which large-scale and sometimes obscure goals need to be translated into measurable objectives. Thankyou could, for example, set a goal of building 100 wells in seven countries in the next ten years. It could also count how many people now have access to clean water as a result of its new well (on its website it reports that, as of February 2017, it had assisted over 500,000 people to gain access to safe water, sanitation and hygiene services). However, over time, using additional indicators and outcomes, the company may demonstrate how it also created impact around education (children who are no longer sick due to unsafe water can now attend school), work opportunities and stronger communities.

4. **Identify interventions or activities required to deliver the identified outcomes.** This is when the organisation starts to understand what is required to achieve
the above outcomes and impact and to aim for the input, resources and activities that would allow it to achieve the impact. In the case of Thankyou, the company realised that starting a water company and selling bottled water could help the company raise the funds needed to build the wells. It later started setting new goals for impact and outcomes and developed new resources and activities to achieve these as well.

5. Write a narrative account of the change made. This part is shifting away from the mere four or five stages we saw in the logic models, to move into reporting. In this case, the theory of change model suggests writing (or sharing in other forms, such as the TED talk by Thankyou) a compelling story about the impact, outcomes and activities conducted by the organisation. The narrative allows the organisation to not only share its story and provide evidence of impact but also to gain further support and resources and reflect on what was achieved. As such, this can be seen as a cycle, and after stage 5 the organisation goes back to stage 1 and the cycle continues.

![Figure 8.3 The five steps of theory of change](image)

Theory of change shares some of the benefits and limitations of logic models but also has some unique ones. Focusing on the desired impact and end results from the very beginning can help ensure focus on the achievement of long-term outcomes. The inputs, activities and outputs are all designed with this end result in mind. It also encourages the organisation to share the story of change, how it was achieved and what impact was created so that other organisations can learn from it. However, since the desired impact is set at the start, it is possible that it will not be measured adequately.
Social return on investment (SROI)

The social return on investment (SROI) method was developed in 1996 by the Roberts Enterprise Development Fund (REDF), a philanthropic organisation that creates employment opportunities for people facing the biggest barriers to work (Rosenzweig, 2004). Built on the basic idea of financial return on investment (ROI), SROI attempts to quantify both economic and social impacts of social enterprises by applying a monetary value to ventures or activities with social objectives and examining the ratio between money (and other resources) invested in a programme and its social value (including money saved). As such, a calculation of SROI could result in a conclusion that for every $1 invested in a certain social programme, $7 were saved, or a ratio of 1:7.

SROI is a framework for measuring and accounting for a broader concept of value; it seeks to reduce inequality and environmental degradation and improve wellbeing by incorporating social, environmental and economic costs and benefits. It monetises a variety of outcomes and provides an idea of how much social value will be created through every dollar of investment. According to EY (2017), SROI is an alternative accounting and economic analysis that is capable of measuring the wider concept of value generated through social investments, which takes into account social, economic and environmental factors.

SROI can either be used to forecast how much value will be created if activities meet their intended objectives or to evaluate actual outcomes that have taken place. For forecasting, SROI can help in making a more informed decision of the CSR activities/projects/programmes that a company should select to implement. It can help decision makers see which programme will yield the highest social return on investment, instead of focusing on costs alone. In highlighting the potential of the activity/project/programme under consideration, SROI can help in raising funds and achieving a broader consent for initiating or expanding the same.

As for evaluation, a SROI can assess the efficiency with which a CSR programme/activity has been planned and delivered. A sensitivity analysis of the SROI against the cost of the initiative can provide a broad direction towards streamlining in the future. The process of deriving the SROI, the project costs and the key financial and social value can be used to evaluate a CSR programme and so plan it better in the years to come. It can also be used to communicate with a broad set of stakeholders who need to be informed about the company’s CSR activities and impact.

SROI can be calculated by identifying the following metrics (see Brooks, 2009):

- **Enterprise value**: the net revenues from the business side of a social venture.
- **Social purpose value**: the value that the enterprise creates for society.
- **Blended value**: the enterprise and social purpose values minus the long-term debt.
SROI is complicated to calculate and requires knowledge of each metric and how to calculate it. There are webinars and workshops to assist people who want to learn how to do this. In addition, there are many firms and organisations that can assist companies, not-for-profits and social enterprises to calculate their SROI.

The advantages of SROI are that, in accordance with strategic CSR, it includes and communicates with a broad set of stakeholders and takes into account their various perspectives. It measures both financial and social value, but by using a dollar value to assess a social impact, it allows for a good comparison between programmes and organisations. By using financial language, it may be easier to communicate with profit-minded executives and build a business case for CSR. As for the limitations, SROI is time-consuming and requires specific skills, knowledge and accreditation. The evaluation is focused on money and outcomes, rather than on the process. There is a risk that the focus is too much on the dollar value, and some outcomes cannot be easily translated into a monetary outcome.

**Social accounting and audit (SAA)**

In 1972, Charles Medawar developed the social audit, also known as social accounting and audit (SAA) (Belal, 2002). The SAA is a framework for ongoing monitoring and evaluating of impact as part of the company’s accountability to internal and external stakeholders. The framework can assist organisations, including companies with CSR, in evaluating their social, environmental and economic objectives and ensure that these are functioning in line with the values of the organisation. SAA can help companies to prove, improve and account for (see Figure 8.4) the difference they are making. It can also assist in planning and managing the organisation, as well as demonstrate impact.

**Figure 8.4** The three components of SAA
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SAA can help understand and report on the impact the organisation has on people, the planet and the way it uses resources. It also helps to manage the organisation and improve its effectiveness. It can be used by any organisation, whether not-for-profit, public or private sector and of any size or scale. It uses eight key principles to underpin its process, ensure that verification is effective and deliver continuous improvement. These are:

1. Clarify purpose
2. Define scope
3. Engage stakeholders
4. Determine materiality
5. Make comparisons (benchmarking)
6. Be transparent
7. Verify accounts
8. Embed the process.

In addition, there are four main stages of SAA:

1. What difference do we want to make? Clarify the desired impact. Similar to the theory of change, in this step the company needs to have a clear CSR vision and clarify what kind of impact it wants to create and for whom. At this stage, the company also needs to identify all the relevant stakeholders.

2. How do we know we are making a difference? Impact assessment plan. At this stage, it is important to understand and identify indicators and outcomes. As mentioned above, there are indicators and measures of many social impact goals and it is important to find and utilise them. At this stage, the company can continuously collect data and engage its stakeholders to clarify the plan to create and measure the impact.

3. What is the difference we are making? This involves drafting the social accounts, either in basic or advanced format. The data and indicators collected in step two are used to report on performance, impact and key outcomes, comparing them to targets and benchmarks where appropriate.

4. Can we prove we made a difference? This is the audit stage where the draft accounts are tested by the social auditor and the panel. The social audit statement is completed and signed off, the social report finalised and a summary produced if required.

Throughout, the social impact assessment includes the use of concise checklists and reference to work that would already be being undertaken within the organisation to promote economy of effort. The outcome of the process will be a document that staff, board and external stakeholders can use to see the value of the activities covered.
SAA has many advantages: it offers a holistic and easy-to-follow process of examining impact, takes into account external stakeholders’ perspective and provides a rich source of information. On the other hand, it can be labour-intensive and takes a lot of time and effort. It is not yet explicitly recognised by funders and lenders and we lack academic research on it.

**SIMPLE: Social IMPact measurement for Local Economies**

SIMPLE (Social IMPact measurement for Local Economies) is a social impact assessment framework that combines an internal strategic review with an outcomes-based assessment to help managers of socially motivated businesses to visualise where and how they make positive contributions to society. SIMPLE can be used by organisations, including companies, to communicate the social benefits and added social value created by their (CSR) activities.

SIMPLE was developed by Social Enterprise London (SEL) together with the University of Brighton. It includes five stages:

1. **Scope it**: By carrying out a strategic review, boundaries of scope can be set. This requires the company to select the relevant area(s) or scope(s) to be explored. Whilst considering the scope, organisations can take into account the aims and activities of the company, its stakeholders’ priorities and needs, the environment and the company’s internal drivers.

2. **Map it**: At this stage, the company needs to map out the effects of daily work activities. Part of this mapping requires the exploration of relationships between the work/activities that are being carried out by the organisation and the short-, medium- and long-term effects of doing so. This can also be used to map out where impact is likely to occur in the future, taking into account the data that should be collected to evidence such impact.

3. **Track it**: At this stage, the company tracks outcomes by assigning appropriate indicators. The continuation of data collection processes enables the generation of a representation of the impact being measured.

4. **Tell it**: This stage includes exploring and discussing the social impacts that were measured in the previous stages, and contextualising them for a range of stakeholders and audiences.

5. **Embed it**: This is an ongoing stage in which the previous stages of collecting data and measuring impact are continuously embedded into the organisation.

By selecting suitable indicators, organisations can evidence their social impact based on the systems they have put in place in order to gather appropriate information. This can help organisations visualise how they are creating positive social change and in turn collect supporting evidence for the outcomes being created, as
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a result of the project/activity being measured. The framework can be useful for identifying information that is not currently being measured for the future, to demonstrate the organisation’s level of social impact.

The benefits of using the SIMPLE framework include improving an organisation’s performance through strategic analysis and maintaining adaptability for different circumstances within diverse types of organisations. Research shows that while the SIMPLE framework delivers positive learning experiences on impact measurement, there is not enough knowledge and support on embedding social impact assessment in an organisation.

Impact measurement challenges

While social impact assessment has many benefits for the companies that try to assess it, for the CSR beneficiaries and for the company’s stakeholders – it can also be quite challenging to implement. Social impact assessment is costly, difficult and ambiguous. It takes time, effort and knowledge. And while there are many tools and frameworks, as was shown above, it can be overwhelming and confusing. As such, it is little wonder that many companies don’t manage to successfully measure social impact and report on it, and focus instead on inputs and activities. In this section, several such challenges will be discussed with some pathways to overcome or address them.

Firstly, the nature of social impact makes it difficult to measure. Social impact is hard to assess in a short time frame. Outcomes, particularly long-term macro-level outcomes, are not as easily quantified as outputs. They can be the ambiguous results of numerous variables. It is easier to discuss how many employees volunteered last year and explain what they did, rather than try to show what long-term effects their volunteering had. However, it is not impossible. There are macro-level indicators that can be cautiously used to discuss the company’s contribution to society while acknowledging that it only played a part in this achievement.

Secondly, social impact assessment can be difficult and costly. Doing it properly takes a large amount of time, money and knowledge. Not every company that contributes to society has the skills or resources to measure impact. Some frameworks and tools, such as SROI, require an advanced set of skills and knowledge to implement. This is particularly the case with smaller companies (SMEs) that do not have the human and financial resources to deal with this. In order to address this challenge, companies could collaborate with others to measure and create impact. There are supportive organisations that can help companies with this difficult task. Furthermore, companies can work together to create collective social impact and measure it together as well. In addition, many companies that contribute to not-for-profits ask that the recipient organisation helps to measure the impact created.
Thirdly, there is the *attribution* challenge. The measurement challenge that many organisations face is to demonstrate a connection between output (e.g. number of meals delivered to elderly people) and outcome (e.g. increased food security, decreased illness and injuries) and to describe that connection quantitatively (i.e. ‘Our operations lowered falls by 15 per cent of elderly people in their homes in the last 12 months’). Quantifying and tracking this relationship is costly and it is almost impossible to demonstrate. Even if the organisation manages to collect all the required data before and after the intervention, it is still hard to show that no other factors were involved in the results. To achieve this, organisations can use control groups and measure the results using valid indicators before and after. It is also possible to partner with academics who are keen to get access to the data and analyse it so they can publish academic articles based on the same.

Fourthly, social impact assessment consumes resources that could be directly invested in the programme and service recipients. Even if social impact assessment is outsourced, it still costs money and there can be an objection from investors or the executive leadership to invest so much money and divert it from the programme. A perception exists that outcomes and impacts are too costly and time-consuming to measure systematically (McCreless et al., 2013). However, as was explained earlier in this chapter, social impact assessment can also save a lot of resources by facilitating a comparison of programmes and ensuring the programmes are as cost-effective as they can possibly be. There are also ways of reducing costs, such as training the company’s CSR champions and stakeholders to take an active part in this process, develop the required knowledge and skills, and assist.

Fifthly, companies that want to measure their social impact face a lack of standardised measures for impact measurements. Presently there are no standardised measures to assess social impact, although best practices are emerging (Rosenzweig, 2004). The primary reason behind the lack of standardisation of a tool to measure social impact is the diverse nature of impact created by companies, not-for-profits and social enterprises, which also makes it difficult to compare the effectiveness of a programme or an organisation. The variety of frameworks and tools, however, also implies that each organisation can use the ones that best suit its needs, abilities and resources.

**Summary**

A growing number of companies began to measure and report on the social impact of their CSR as expectations emerged together with many tools and frameworks. Social impact is about the changes that occur in people’s lives, in the community and in the environment as a (direct or indirect) result of certain intervention (in the context of this book, through CSR). There are several definitions of social impact, some of which also include unintended impact or negative impact. In addition,
there is now a shift toward collective impact in which several organisations and stakeholders work together to increase the breadth and depth of the impact.

Companies have now started to understand that measuring impact is important, as part of their accountability to their stakeholders, in their communication and in engaging employees and consumers. Social impact assessment (which is processes of analysing, monitoring and managing the intended and unintended social consequences) also provides vital information that allows a company to assess the effectiveness and efficiency of its CSR compared to other companies, to what it has done in the past and to what it could do in the future. It therefore creates a pathway for improvement and a strong impact in the future.

In the last few decades, over 20 different tools and frameworks have emerged, with some being more prominent and commonly used than others. We have looked at logic models, which are a graphic display or map of the relationship between a programme's inputs, activities, outputs, outcomes and impact. Similarly, the theory of change uses the same four or five components, but suggests starting with the end result in mind and working back to what is required to achieve this. SROI is a little different, being a more quantitative and systematic tool to measure impact, while considering all stakeholders. Similarly, the social accounting and audit (SAA) tool is a framework for ongoing monitoring, evaluation and accountability to internal and external stakeholders of the organisation. Finally, SIMPLE uses five stages from mapping impact to embedding it in the organisation. There are many other tools and frameworks that can be examined. While it can be overwhelming, it is important to make your organisation familiar with the various options and apply the one most suitable to you.

Social impact assessment is far from easy. It requires time, knowledge and resources. Not all organisations have these resources and some argue that by diverting resources towards social impact assessment, organisations do not maximise their contribution. It is important to acknowledge these and other challenges and find creative ways to address them, as social impact assessment is going to become an essential part of CSR.

**General questions**

1. There are presently many measures and tools offered for companies that want to measure the social impact of their CSR. Why is it important to choose the right tool for the company?
2. Examine the various social impact tools presented in this chapter. Think about three kinds of organisations: not-for-profits, social enterprises and large corporations. Which tool would you offer to each kind of organisation?
3. What could be the right tool for Thankyou and TOMS Shoes? Why?
4. If you were a consultant helping companies to measure their social impact, how would you convince them to measure both the positive and the negative impact they create? How would you get over the fears that an organisation may face in measuring and reporting negative impact?

Key definitions

- Social impact (or mission-related impact) is the changes to people’s way of life, their culture, community, political systems, environment, health and wellbeing, personal property or rights and their fears and aspirations (Vanclay, 2003).
- Social impact is the creation of benefits or reductions of costs for society – through efforts to address societal needs and problems – in ways that go beyond the private gains and general benefits of market activity (Auerswald, 2009).
- Social impact assessment is the ‘processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions’ (Vanclay, 2003).
- Collective impact is the commitment of a group of actors from different sectors to a common agenda for solving a specific social problem, using a structured form of collaboration (Kania and Kramer, 2011).
- Logic models are a graphic display or map of the relationship between a programme’s resources, activities and intended/actual results (Kaplan and Garrett, 2005).
- Social return on investment (SROI) is a stakeholder-driven evaluation tool that applies a monetary value to ventures with social objectives by identifying a set of six metrics including enterprise value, social purpose value, blended value, enterprise index of return, social purpose index of return and blended index of return (Ryan and Lyne, 2008).
- The social accounting and audit (SAA) tool is a framework for continuous monitoring, evaluation and accountability to internal and external stakeholders of the organisation.

References

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**Further reading and links**


