



Measuring the social impact of business: Current Practice & Challenges

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Overview



THAT'S
WHY!

The business case: why measure social impacts?



The journey so far: Current practices



Challenges, uncertainties & gaps

CEO-led organization of forward-thinking companies that galvanizes
the global business community to create a sustainable future
for business, society and the environment



The Business Case: from risk to opportunity

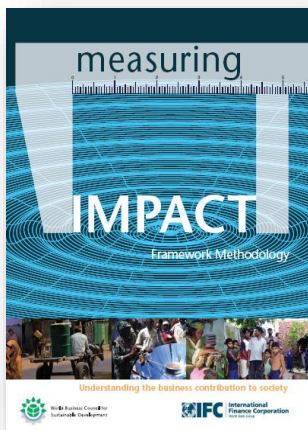
Companies are increasingly interested in measuring & managing their socio-economic impacts to:



The WBCSD Journey: Measuring Impact to Redefining Value

2008

Entry point to
measuring
Social Impact



2013

Navigating a
busy Landscape



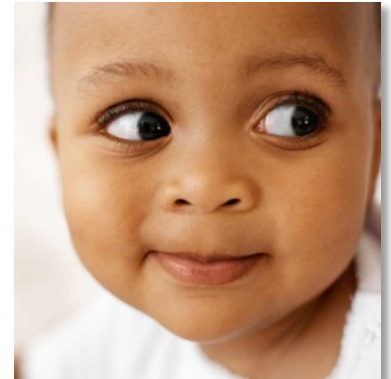
2014

Towards
harmonization..



Redefining
Value

The Initial Challenge: Merging two perspectives



Navigating a busy landscape:

Main tools designed for & used by business

Name of the tool		Value to business
1	Base of the Pyramid Impact Assessment Framework	Understand and measure how your business influences different dimensions of poverty in your customers, local distributors and surrounding communities
2	GEMI Metrics Navigator	Identify environmental and social performance indicators to measure, and prioritize issues for management response
3	Impact Measurement Framework	Identify relevant socio-economic indicators to measure impact in four specific sectors: agribusiness, power, financial services, and information and communication technology
4	Impact Reporting and Investment Standards	Select standard indicators to use within your overarching impact measurement framework
5	MDG Scan	Estimate the number of people your company is affecting in ways related to the Millennium Development Goals
6	Measuring Impact Framework	Define the scope of your assessment, identify socio-economic impact indicators for measurement, assess the results, and prioritize issues for management response
7	Poverty Footprint	Understand your company's impact on poverty reduction working in collaboration with a development NGO
8	Progress out of Poverty Index	Calculate the percentage of customers, suppliers, and other populations of interest that live below the poverty line
9	Socio-Economic Assessment Toolbox	Measure and manage the local impacts of site level operations
10	Input-Output Modeling	Calculate the total number of jobs supported and economic value added by your company and its supply chain on a particular national economy

Approaches companies use for impact assessments

Approach	Local Livelihood Assessment
Purpose	Assess the local level impacts of a project or plant on local communities
Strengths	<ul style="list-style-type: none"> - Assesses both financial and social impacts, combining quantitative and qualitative results - Explains “why” as well as “what” - Builds in views from the people ‘on the ground’ - Can be designed to allow some data aggregation and comparison at a higher level and over time - Not complicated – tools are already available
Constraints	<ul style="list-style-type: none"> - Usually weak on aggregation, bench-marking or comparison - Isolated from the wider context - Limited to a specific site - Requires field work on site
Useful for...	<ul style="list-style-type: none"> - ‘Improving’ decisions locally - ‘Proving’ impact via data and stories

Approach	Poverty Footprint/ Value Chain Mapping
Purpose	Identify where a business or sector impinges on poverty and development, quantify impacts and prioritise action
Strengths	<ul style="list-style-type: none"> - Detailed data and views can be structured into a meaningful ‘big picture’ - Combines aggregated and disaggregated data, on both financial and social issues - Analyses core business and value chains and relates core business interests to those of the people at the base of the economic pyramid - Usually goes beyond description to identify areas for change and action - Can be repeated to measure change over time
Constraints	<ul style="list-style-type: none"> - Ambitious - Requires a lot of information – from stakeholders, suppliers, plus internal corporate information - Requires strong analysis
Useful for...	<ul style="list-style-type: none"> - ‘Improving’ at a local and strategic level - Providing a ‘big picture’ which demonstrates total impact - Encouraging lateral thinking

Approach	Tracking Indicators
Purpose	Repeated monitoring of key indicators of socio-economic impact
Strengths	<ul style="list-style-type: none"> - Data is likely to be internalised and used by the company - Identifies change over time, progress or problems - Simplifies complexity into a few key variables such as volume, prices and payments - Easily combines commercial, social and environmental metrics - Data can be used to create information with a more visual impact such as scorecards and/or graphics - Aggregation and comparisons across businesses are possible for some metrics
Constraints	<ul style="list-style-type: none"> - Describes ‘what’ rather than explains ‘why’ - Reduces complex impacts to a few measures: value depends on the choice of indicator - May rely on partners/suppliers for key social metrics - Risk of using standardised Impact Reporting and Investment Standards (IRIS) indicators to satisfy investors, rather than tailored measures for internal management
Useful for...	<ul style="list-style-type: none"> - Tracking achievement of combined social and commercial mission - Informing and improving the management of supply chain and customer base - Reporting to impact investors

Approach	Economic Contribution
Purpose	Identify total economic impact including multipliers
Strengths	<ul style="list-style-type: none"> - Provides ‘hard’ (persuasive) data, beyond anecdotes - Provides the ‘big picture’ in the national context - Encompasses all aspects of business operations - The approach is scaleable and replicable and the findings are comparable
Constraints	<ul style="list-style-type: none"> - Provides little information on stakeholder views and other poverty impacts - Describes ‘what’ rather than explains ‘why’ - Focuses less on where and how to create change
Useful for...	<ul style="list-style-type: none"> - Providing data in a way that is more compelling and relevant to Ministries of Finance - Understanding the ‘big picture’ impact, as context for more focused action

Redefining Value: the next frontier



Challenges ahead....

Defining scope and materiality

Social impacts are broad, impact level data takes time to materialize & longitudinal studies are resource-intensive.

Defining influence

How do you isolate impacts caused by business (positive and/or negative)? How do you answer the “so what” question around what 1000 jobs really mean in a community?

Ensuring objectivity

How do you engage the right stakeholders & assurance processes?

Examining negative impacts

How do you know what you don't know?

Aggregation

How do you compare location/context specific data? How do you sum a diverse set of indicators? Could monetization be a solution?

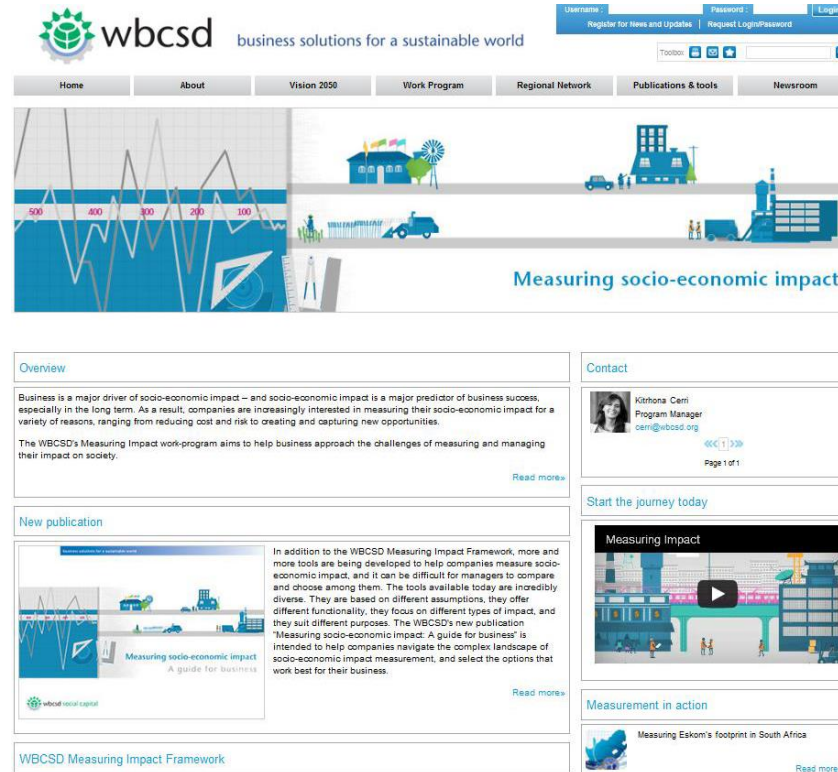
The sensitivity of monetization

How much is a human life worth? What are the implications if life is cheaper in less developed countries?



Access WBCSD materials on **impact**

www.wbcds.org/impact.aspx



Read the Business Fights Poverty Spotlight on [Understanding and Enhancing the impact of business on development – a comparison of different approaches used by companies](#)

business solutions for a sustainable world