Measuring the social impact of corporate community investment

A framework for London Benchmarking Group member companies

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EXECUTIVE SUMMARY

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About the Centre for Corporate Public Affairs

> 'Public Affairs is the management function responsible for interpreting the future political, social and regulatory environment of an organisation, continuously integrating these assessments into the strategic planning process, and undertaking and supporting consequent organisational action.'
>
> Centre for Corporate Public Affairs

The Centre for Corporate Public Affairs was established in 1990 in response to demand from corporate and public affairs professionals for a support organisation for their activities.

The Centre now has more than 100 members from the ranks of corporate Australia, industry associations and government business enterprises.

The Centre aims to provide mutual exchange within the profession's leadership, excellent professional development programs and information resources that allow senior public affairs practitioners, senior executives and line managers to:

- Better interpret their social, political and economic environment;
- Contribute significantly to the way their organisation relates to its internal/external stakeholders; and
- Strengthen the role of corporate affairs staff as key advisers to management.

These aims are achieved by providing:

- Professional development and training;
- Research and information resources;
- International affiliations; and
- Peer group dialogue and mutual learning.

For further information about the Centre please visit http://www.accpa.com.au

Executive summary

This is the report of phase one of a longitudinal study into measuring the social impact of corporate community investment (CCI), based on data collection and analysis of investments and their management by eight large companies in Australia and New Zealand.

The Centre envisages the longitudinal study will run from 2013-2016 at least, and longer if there is an appetite among participating entities to understand how social impact can be realised and measured from corporate community investments.

The results and recommendations of this phase one study report, have implications internationally on how the value and social impact of CCIs can be best captured and understood.

One of the most important recommendations of this study's first phase is that understanding the social impact of CCI can be achieved most readily by companies strengthening their approach to how they manage their community investments, including focusing on and clarifying the strategy of each CCI, and strengthening the intent and nature of what they measure.

Most companies participating in phase one of this study, conducted by the Centre for Corporate Public Affairs for London Benchmarking Group (LBG) Australia and New Zealand, indicate the strategic intent of their social investments in the community is to generate business value for the corporation.

The return on community investment for the corporation can include employee engagement, delivering business strategy (including social license to operate), and realising corporate responsibility objectives.

For stakeholders external to the company, return on CCI can include assisting to generate social or partner organisation outcomes, and contributing to a positive social impact.

The big opportunities

The findings of this study confirm our long-time observations, and those noted in the international literature on CCI, that measurement remains a significant challenge for corporations.

Existing approaches to social return of investment assessment, social cost-benefit analysis, social return on investment frameworks and participatory impact assessments are not meeting the needs of corporations.

Executives accountable for managing CCIs in the companies participating in this study want a simpler, more effective, and over time, a widely used approach to measurement to inform decisions as to whether the performance of an investment warrants extending its duration, or shifting its focus.

Most frequently, the most senior management in a corporation and its board want to understand the outcomes and social impact of the company's community investments to factor into decisions that affect organisational license to operate, and into whole of organisational strategy.

The utility of measurement for both these management groups is to understand progress generated by the investment, if what is being delivered is meeting strategic objectives, and if the investment is making a difference in the community (social impact).

Our analysis concludes that while corporations are keen to understand if corporate management focus on, and funding for social investments, is generating outcomes and social impact — value — many companies remain focused on *counting* inputs and outputs.

Corporate community investment inputs (funding, management time expended, agreement by the funded community investment partner to execute strategy), and outputs associated with the investment (employee engagement, employee volunteerism, community partner activity and execution of strategy), can be readily counted, and understood.

London Benchmarking Group Australia and New Zealand has developed and is in the midst of developing tools to assist its member companies capture their community investment inputs and outputs, with a view to evolving these tools to understand outcomes generated. Similar work is underway by LBG in Europe.

(The Centre has reviewed these tools as part of phase one of this study, and has recommended they be amalgamated into an easier to apply, single tool).

The most significant opportunities for LBG member companies to understand the social impact of their corporate community investment can be found in how community investments are devised, developed and managed by corporations and their CCI partners across the life of an investment.

We conclude that clarifying CCI objectives and strategy, and deciding at the inception of the investment (or retro-fitting such clarification), determines what will be measured.

Figure ES 1.1 outlines a recommended social impact measurement path to companies and their stakeholders understanding the social impact of their corporate community investment.

This path is effectively a management framework, which, the Centre recommends, if implemented, will make significant progress to corporations and their community partners better understanding if a significant community investment by a company is resulting in social impact.

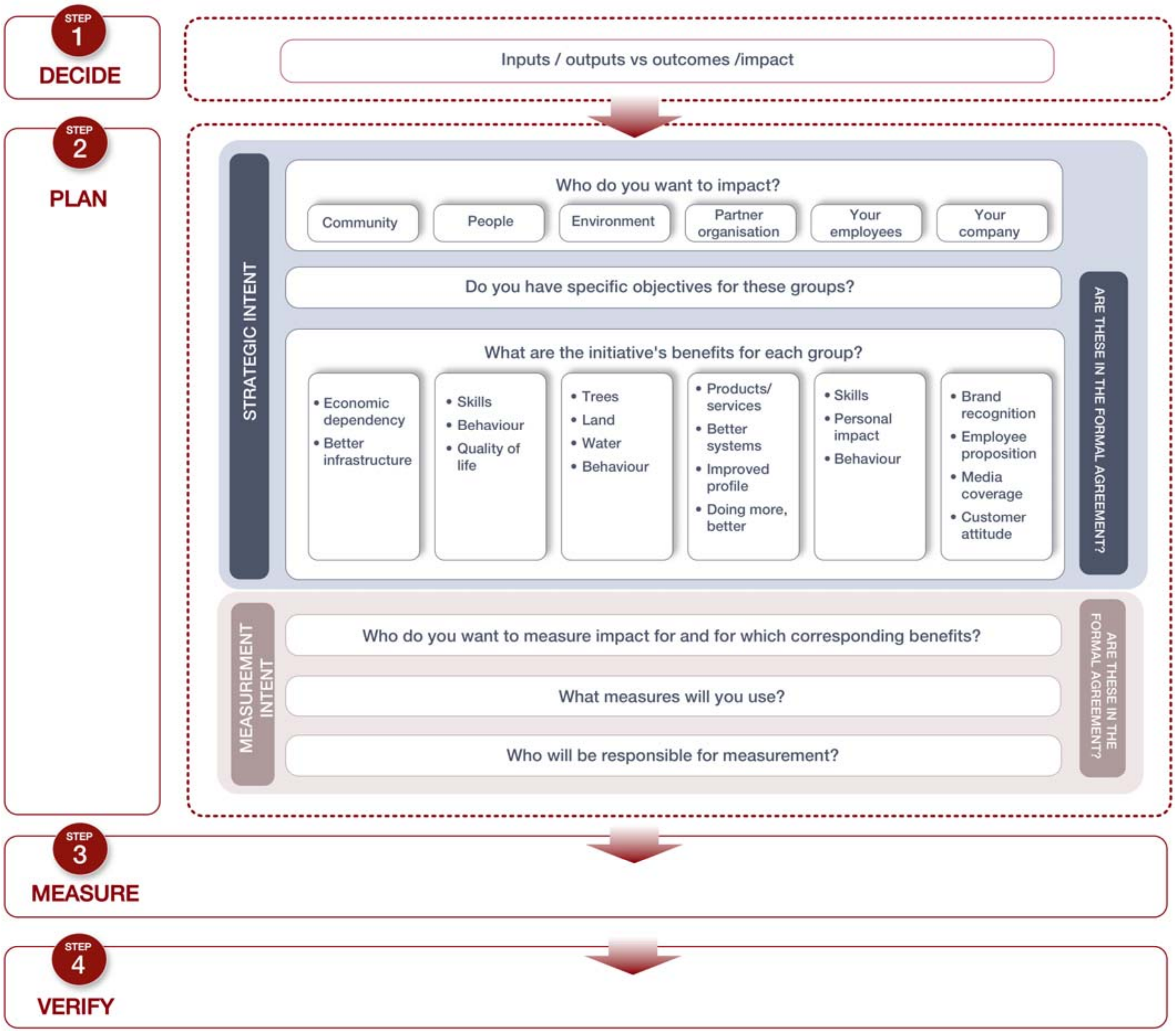
This phase one study concludes that although participating companies generally understand the strategic objectives and social impact desired from their community investments, there is significant opportunity to clarify the strategic intent of investments.

The discipline of applying Step 1 and Step 2 of the Social Impact Measurement Path framework (see Figure ES 1.1) will clarify impact to be delivered, as well as the strategic and measurement intent.

Doing so will assist companies and their community partners manage investments and partnerships to deliver CCI objectives, including social impact, which we find is not always well defined in CCI strategy or partner agreements.

Figure ES 1.1

SOCIAL IMPACT MEASUREMENT PATH



Source: Centre for Corporate Public Affairs 2013

The missing link — an independent and rigorous approach to measurement

One of the most important findings from phase one of this longitudinal study is that the big 'missing link' in understanding CCI progress towards achieving investment outcomes and social impact is the absence of robust and rigorous measurement mechanisms.

In most realms of management, measurement is important for reasons including understanding progress towards an objective, effectiveness and efficiency.

The approach to measurement recommended in this study report, if embraced by participants as part of a formal CCI measurement framework, would represent a new development in the systemised measurement of corporate community investment internationally.

Robust third party measurement is in itself a discipline that exposes the community investment and its performance to external scrutiny. And the nature of that measurement, by a respected third party entity, in itself lends authority to the results of the measurement process.

We have concluded that for this phase of the study, recommending a rigid measurement *methodology to* measure CCI is neither practicable nor desirable.

However, we find that an *approach* to measuring investments of more than $A150,000 per annum, over two years or more anchored in independent third party assessment, analysis and findings, would represent significant progress in more accurately and meaningfully understanding CCI outcomes and social impact.

For investments less than $10,000 we recommend no measurement is necessary. For investments $10,000 to $150,000 per annum, we recommend that Steps 1 and 2 of the Social Impact Measurement Path be applied, including qualitative case study assessment and reporting.

It can be argued validly that the $A150,000 threshold figure for a CCI that would warrant its management via the framework recommended in this report is arbitrary. The Centre will further test the recommended thresholds in phases two and three of this study.

The threshold was developed based on interviews with corporations participating in this study, as well as the Centre’s work over many years with corporations and not-for-profit organisations, which suggests that in most Australiana and New Zealand companies, a $A150,000 investment over three years (representing $450,000), is viewed as an important community investment; and that is it important also to understand its social impact, i.e. is it making a difference in the community.

Third party, independent assessment, using company, CCI partner and other data and evidence for analysis against a CCI’s strategic objectives, would represent considerable evolution of how such investment was measured and understood.

We conclude that this approach to measurement — conducted by an independent entity such as a university and/or academics, a specialist provide sector entity, or LBG itself — can provide the necessary scrutiny to establish a sound evidence base for stakeholders (including company management, community partners and other stakeholders, including policy makers and governments), as well as affording the credibility of independent assessment.

Some of the companies participating in this study, and others with which the Centre engages regularly, are interested in LBG considering how it may be able to develop the capacity and capability to verify CCI measurement, and provide confidence to a CCI’s stakeholders, including the corporation, that an evidence base exists to inform judgements about a social impact being achieved.

Rigorous third party measurement, interrogating and assessing progress towards the clear strategic intent of the investment, has the most potential to evolve measurement towards an understanding of social impact.

Next steps on the measurement journey

We envisage initially, companies and their community partners may require some guidance as to the nature of third parties considered appropriate to conduct measurement of community investments for corporations.

We note that LBG is well placed to convene a reference group of academics, CCI practitioners and specialist advisers to develop some general measurement guidelines, which while not codified, nor representing a compliance regime, could assist LBG members to implement the measurement pathway framework.

Convening a reference group will enable LBG to broaden stakeholder input and understanding of the social impact measurement challenge, and, we recommend, garner that support for wide use of the Social Impact Measurement Path framework.

Such guidelines, if characterised by their clarity and simplicity, could be applied and their utility and effectiveness verified during phases two and three of this study.

We recommend study participants re-examine the framework in which they are managing the corporate community investments analysed as part of this study, and apply retrospectively the Social Impact Measurement Path framework.

We recommend further that participants consider also applying the framework to community investments that have yet to commence, as part of moving management of their entire CCI portfolio towards good and best practice.

LBG Australia and New Zealand and the Centre will assess the results and outcomes of applying the framework as part of the next phase of this longitudinal study.

As noted earlier in this summary, we recommend also that LBG and its members consider the role of LBG in building the capacity and capability to assess and verify that CCI management, including measurement, has been conducted to meet criteria that assessments of social impact are robust, and can enjoy the confidence of a CCI's stakeholders.

We recommend also that organisations participating in phase one of the research underpinning this report continue their participation, and that consideration be given to expanding the participant cohort for the 2014 and 2015 phases of this study.