Investing in Impact

How to make corporate social responsibility a core business function to grow brand loyalty and foster community engagement

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Companies are increasingly recognizing the opportunity and importance of appealing to a growing customer base with strong preferences for social impact. However, many organizations are uncertain about where to start.

This growing focus on social impact is leading to a renewed investment in corporate social responsibility (CSR) across industries. Leaders, from the C-suite down, are paying attention to, and prioritizing, their organization's community impact.

In this guidebook, you'll learn why CSR was previously marginalized, how companies are integrating social impact, and what best practices will have the most significant impact for your company.

Past Challenges:

CSR initiatives perceived as peripheral

Why? It comes down to budget. In the past, executives viewed corporate social responsibility as a cost center for publicity, and a means to demonstrate their community contributions. As a result, marketing, communications, and public relations teams fought tooth and nail to show that social impact initiatives are worth pursuing, with several perceived barriers typically standing in the way.

CSR initiatives seen as one-off events

From sponsoring fundraisers to hosting black-tie galas, CSR initiatives frequently were one-off annual events. While there's nothing wrong with hosting or sponsoring experiences, one-time events require a surge of effort and expense, resulting in a quick tick of positive PR that, to leadership, seems to dissipate quickly, making it even harder for companies to view CSR as part of a more robust, profound, ongoing strategy.

Return on investment (ROI) seen as difficult to measure

Although companies understand that social responsibility helps their organization look good, results can seem intangible, and ROI can feel challenging to measure. In the past, being unable to track CSR's impact and effectiveness made it easier for companies to eliminate it from their business and marketing strategy.

CSR viewed as a "nice-to-have," but not necessary

The "nice-to-have" perception, in many cases, is the result of CSR initiatives being tangential or even disconnected from the company's core business drivers. The focus on costly one-off events can heighten this perception. As a result CSR strategies were frequently omitted from the company's overall business strategy and shelved until necessary. Due to this, many organizations felt the output of time, energy, and most importantly, budget, was a "nice-to-have" cost.

Consumers didn't care about a brand's social impact

Before robust company websites, social media pages, and pop-up events, many leaders believed CSR initiatives were "out of sight, out of mind" for their consumers due to lack of visibility into the company's activity. With stakeholders viewing social impact as dispensable, ROI challenging to determine, and consumers not being aware of a company's efforts, CSR was frequently among the first initiatives to be cut from budgets when spending became tight.

Now for the good news: Leaders are waking up to the benefits of social impact. There is a monumental shift towards investing in activities that enrich an organization's community. Let's explore why this shift is happening, how to measure impact, and what companies can gain by embracing social impact as a business and marketing strategy.

A Changing Landscape:
A Place for Social Impact in Business Strategy

With the growing consumer demand for corporate responsibility and ethical practices, businesses are increasingly expected to address social and environmental issues. More and more, people expect organizations and institutions to stand up, speak out, and do their part when it comes to the communities they serve. Consumers are aligning their patronage and trust with entities whose actions, beliefs, and values match up with their own.

As a result, the last two decades have seen businesses begin to expand their missions to include more than generating revenue for shareholders, with many companies seeing themselves as "global citizens heeding and correcting business's worldwide negative impacts on human societies and the natural environment."[1]

By incorporating CSR policies into business strategies, more companies are boosting profit margins, brand reputation, and social impact simultaneously: a triple win for brands and consumers.

Take a look at how—and why—social impact strategies are evolving.

1 Consumers Place High Value and Dollars on CSR

Consumer demand often drives marketplace change, and social initiatives are on the top of many customer's lists. A recent Nielsen survey of 60 countries found that among more than 30,000 consumers, perceived benefits for health and wellness influenced purchasing decisions for 59 percent of those surveyed. Moreover, 66 percent of customers and nearly 75 percent of those ages 19-34 reported that they would pay more for sustainable goods.[2]

The bottom line? Given a choice, people choose companies and products that demonstrate "doing good for all"—a powerful differentiator for brands that are paying attention.

2 Industry Regulations and Guidelines Emphasize CSR

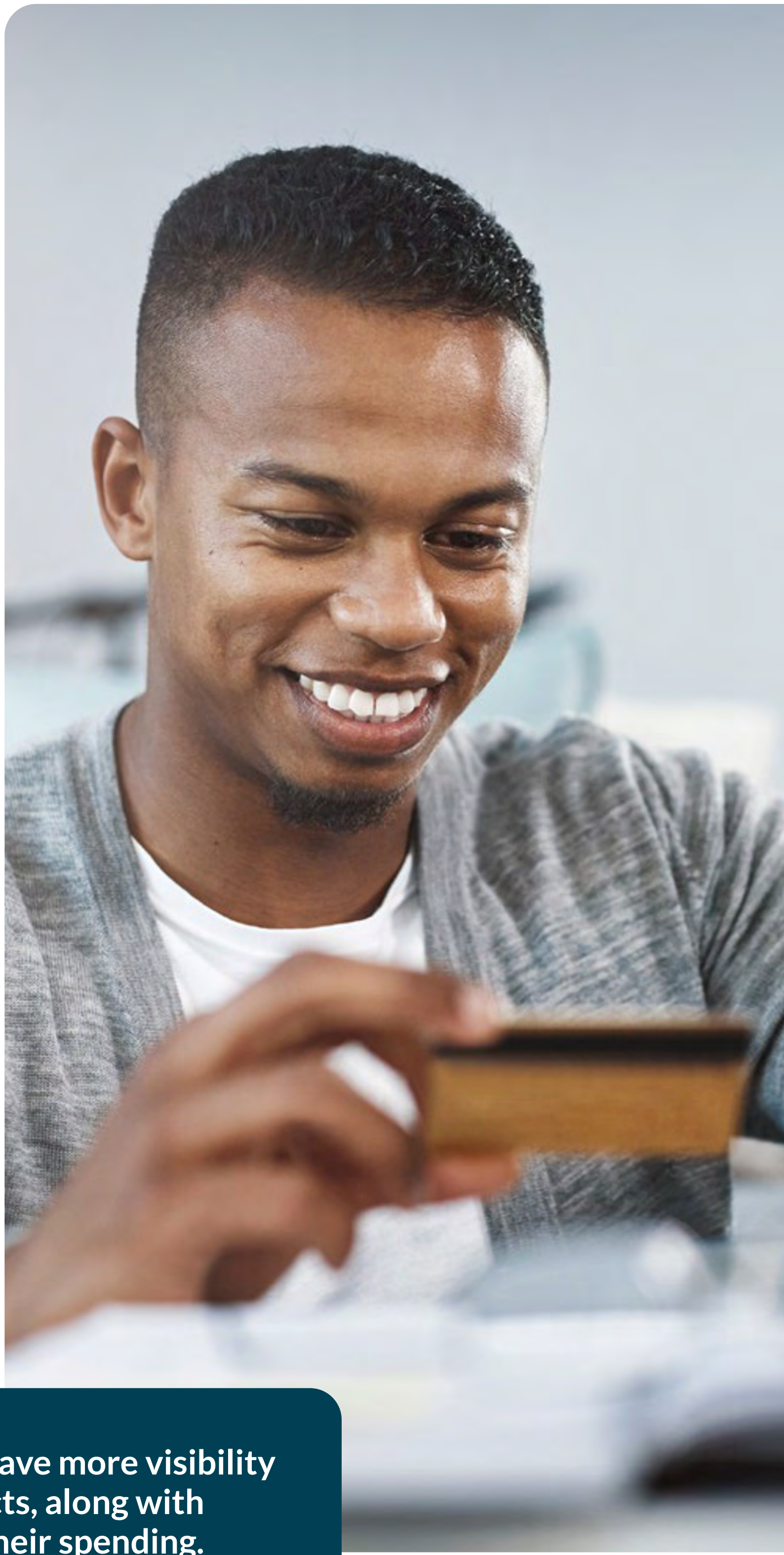
Along with growing consumer awareness, many industries are also placing increased demands on companies to stay transparent, ethical, and sustainable. While regulations and guidelines have appeared in many sectors, two of the most critical frameworks that are helping to drive the shift to CSR include the United Nations (UN) Global Compact and the UN Principles of Responsible Investment.

The UN Global Compact

In 2000, the UN created the Global Compact, a set of guidelines outlining how enterprises can be more environmentally and socially responsible. The compact includes 10 key principles by which all responsible businesses should abide. According to the UN, "by incorporating the Ten Principles of the UN Global Compact into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and the planet, but also setting the stage for long-term success."[3] The Global Compact is a helpful starting point for organizations looking to adopt CSR into their corporate mission.

The UN Principles of Responsible Investment

The Principles for Responsible Investment (PRI) are the industry standards for responsible investment activities. The six principles encourage "investors to use responsible investment to enhance returns and better manage risks," with implications for environmental, social, and governance issues (ESG).[4] As of 2016, nearly 1,500 signatories had joined across all 50 states.[5] The PRI initiative also creates an annual Assessment Report that provides signatories with feedback on their progress in integrating ESG issues and CSR into their investment decisions.



In today's connected world, consumers have more visibility into the source and production of products, along with the environmental and social impact of their spending. With this awareness has come an increased expectation for greater corporate responsibility.

Making Doing Good Easier:
Trends and Technology

As consumer demand for "doing good for all" increased and new industry guidelines and regulations appeared, the digital revolution was erupting across the globe. A host of new digital tools and services disrupted the business landscape, providing new ways to make CSR easier and more effective. As a result, new social impact trends have emerged that would not have been possible in previous decades.

1

On the Rise: Real-Time Data Reporting

Through technology advancements, employees tasked with generating impact reports around CSR are seeing real-time data help improve measuring the ROI of social impact. Automation and real-time reporting allow teams tasked with social impact to make use of online reporting and even create dashboards to view data collected in real time.[6] Real-time data also significantly impacts stakeholders. According to the Global Reporting Initiative (GRI) 'Sustainability and Reporting Trends in 2025' report, this will result in a new role for key decision makers, who will now have a more direct impact on the development of corporate governance and strategy.[7]

2

Trendsetters: Millennials and Gen Z

By 2030, it is projected that Millennials and Gen Z will make up much of the workforce at 35-40% and 30-35% respectively.[8] These cohorts are digital savvy, with Gen Z being digitally native. Armed with the ability to quickly check-in on companies they'll work for or buy from, they are demanding social impact be a priority for businesses. Recent studies have found that:

85%
of Gen Z believes companies have an obligation to help solve social problems.[9]

64%
of Millennials won't take a job if their employer doesn't have a strong CSR policy.[10]

77%
of Gen Z workers say it's important for them to work for organizations whose values align with theirs.[11]

3

Technology at Every Stage

From strategy to execution to reporting and refining, technology is emerging that can help all departments tasked with planning and launching initiatives. With the use of program management software and technology platforms to synthesize data and map trends, organizations are building strong community impact programs.[12] Bottom line: smarter use of data through artificial intelligence will create more focused social impact strategies that align with business goals.

4

Good for All: Employees Lead the Way

According to a CSR Trends Outlook report, employees will become more involved in CSR initiatives by taking the lead using social media platforms to share stories at an individual level. Customers will hear how their purchases truly make a difference. Additionally, there will be greater emphasis on education surrounding equality, diversity, sustainability, and supply chain responsibility. This will create a multi-layered approach to social impact which will become embedded in the corporate structure.[13]

5

Impact Investing: A New Financial Gain

According to the International Finance Corporation, impact investing is defined as "investments made into companies, organizations, vehicles, and funds with the intent to contribute to measurable positive social, economic, and environmental impact alongside financial returns."[14] Driven by consumer demand and increased regulation, more investment firms have added impact investing to their portfolios and offerings, while more venture capital firms have dedicated themselves to funding ethical and sustainable startups.

With a dizzying array of new digital tools and market trends disrupting most sectors, people have more ways to track social responsibility, more methods to share information, and more brands from which to choose. In turn, companies have more resources at their disposal to share information about their brand's impact initiatives, report out the impact of their CSR efforts, and attract both consumers and potential employees alike. CSR can be a real competitive edge—but only if it's done right. In the following section, we'll examine best practices for bringing CSR into your business strategy.

Centering CSR:

Best Practices for Incorporating CSR in Your Business

Consumer demand for companies to authentically own social impact initiatives increases, and organizations that want to tap into this demand must make CSR an integral part of their business strategy.

1 Choose Values

First, organizations should identify specific core CSR values around which to focus. After all, there are many important causes but trying to do it all will dilute your efforts. Company values may include diversity and social inclusion, education, economic empowerment, or environmental sustainability.

Electronic Arts Inc. (EA), a global leader in digital interactive entertainment, chose to put values into practice when they set out to give back to their community. EA is serious about play and empowering the next generation of leaders in science, technology, engineering, the arts, and mathematics (STEAM). The EA Play to Learn Digital Education Program uses the latest new media technologies to bring complex STEAM concepts to life. The program is part of the company's broader global commitment to reach as many students as possible with critical STEAM skills and connect students' interests to STEAM careers.

Diversity and Social Inclusion

As society evolves and becomes more inclusive, a corporate commitment to diversity and inclusion with regard to gender, race, sexual identity, age, and ability is becoming more important to more consumers. For TIAA, a Fortune 100 company and global asset manager founded by Andrew Carnegie, these values comprise a major part of their CSR initiative. Their diversity and inclusivity policy stretches across three branches: employees, clients, and suppliers. Importantly, it's also measurable. The company can track diversity and inclusivity through human resources (HR), through their customer-relationship management (CRM), and through their sourcing methods. Implementing initiatives for diversity and social inclusion also includes investing in education, which allows more consumers to receive financial education and the financial tools they need.[15]

Environmental Sustainability

Iconic jeans brand Levi Strauss & Co. makes sure their jeans have CSR "sewn into the fabric" through initiatives like Water<Less, which significantly reduces water use in manufacturing – by up to 96 percent for some styles. Since the program launch in 2011, Levi's has saved 4.2 billion liters of water. By 2025 the company aims to reduce their use of water in manufacturing by 50% in areas of high water stress.[16]

2 Align Across Multiple Departments

Determining values and focusing on measurable initiatives is vital to CSR success, but implementation also requires cross-functional teamwork. Ideally, commitment starts with leadership and then delegates across key departments, with the executive team, compliance and legal team, and marketing and PR team aligning to the same vision.

Executive Team

At Danske Bank, the largest financial service provider in Denmark, CSR implementation was facilitated by strong leadership buy-in, with an executive team that was deeply involved with CSR goal development. In fact, "updates on the bank's CSR activities and achievements are made to the Board of Directors by the Executive Board. The latter has the responsibility to develop and implement the company's CSR strategy."[17]

Dedicated CSR and Compliance Teams

Success requires teamwork, and cannot happen with the executive team alone. For this reason, Danske Bank also has a team dedicated to CSR success, "chaired by the CEO and comprising managers of various divisions where those managers are responsible for informing all on the CSR principles and focus areas." Creating cross-departmental delegation ensures that all relevant departments understand the initiative and their own role in it, buy into the objectives, and will take responsibility for implementation.

Marketing, Communications, PR teams

After the other departments understand the overall mission and roles, the marketing and PR teams can use CSR initiatives to promote and brand the company. As brand awareness and reputation expansion are key objectives of all CSR initiatives, the marketing team plays a critical role in setting benchmarks and determining metrics for success; we'll dive into that in further detail in the next section.

Determining values and focusing on measurable initiatives is vital to CSR success, but successful implementation also requires cross-functional teamwork.

3 Form Strategic Partnerships

Companies are not usually experts in the field of social and environmental science and might not have direct access to the populations in need of the most help. For these reasons, the third key to success involves finding and partnering with the right people, organizations, and resources.

According to the consulting firm McKinsey & Company, "smart partnering focuses on key areas of impact between business and society and develops creative solutions that draw on the complementary capabilities of both to address major challenges that affect each partner." Ideal partners will be "those that benefit from your core business activities and capabilities—and that you can benefit from in turn."[18]

For example, large healthcare organizations might have a CSR mission to help students become more aware of prescription drug safety—but lack the ability to reach these students. Partnering with an education institution is a win-win, providing students with this vital information while allowing the organization to fulfill its important social impact mission.

Other companies have had similar success partnering with community organizations or environmental nonprofits.

No matter which partner you choose, three factors are necessary for success: a clear timeframe, specificity as to the nature of benefits, and clarity in how benefits will be split between the company and the partnering organization.

Determining ROI:
Measuring Effectiveness and Impact

As mentioned earlier, one of the most significant barriers to CSR implementation—as well as leadership buy-in— has been the difficulty of measuring ROI. While it feels ambiguous to many, calculating ROI is not only possible, but it's also similar to how many companies already measure the effectiveness of other marketing strategies.

Companies break larger goals into measurable key performance indicators (KPIs), calculate the value of initiatives, and use technology and systems to track results to measure CSR impact. We'll provide a quick overview of the three major steps.

Step 1: Goal Setting

First, organizations need to set short- and long-term goals to create benchmarks for success to generate measurable KPIs.

Setting short-term and long-term goals

Thinking "big picture" is a critical part of making CSR an ongoing initiative rather than a one-off event or campaign. Use long-term goals to set your overall strategy, and then break down global objectives into multiple short-term goals. Short-term goals are where the rubber meets the road—they help companies see quick progress, make adjustments, and demonstrate whether longer-term goals are achievable.

Creating benchmarks for success

What does success mean for short-term goals? Organizations will know their teams have broken goals down sufficiently when benchmarks for success become immediately apparent. Some common benchmarks include understanding who the initiative will benefit and how your team will know when a goal is met. All benchmarks should be clearly stated so that everyone understands what they are.

Once a company sets its goals and benchmarks for success, the company can then work on determining the value of its CSR initiatives.

Step 2: Calculating the Fiscal Value of CSR Initiatives

Business leaders need a method for evaluating rewards in dollar terms. In an article for the Harvard Business Review, impact investors and analysts Chris Addy, Maya Chorengel, Mariah Collins, and Michael Etzel describe a method

for bypassing the guesswork in forecasting gains from CSR strategies, allowing companies to determine the financial value of social and environmental goods. They call this new metric the impact multiple of money (IMM).[19]

Determine whether the initiative is a good fit

Every considered investment, whether in a product, project, or service, should undergo assessment of its relevance and scale before money and resources are committed—and CSR initiatives are no different. Ask yourself if the CSR investment relates to the main business activities of your company; if it doesn't, it may not be a good fit for investment. "Of course, a program's impact is not just about the number of people touched; it's about the improvement achieved," says Addy et al. "Fewer people touched deeply may be worth more than many people hardly affected."[20]

Establish ideal outcomes

What are you trying to achieve? In the IMM metric, identifying target outcomes comes next; use the goals and benchmarks you've created in Step 1 above to answer this question fully. Once defined, companies can then research whether said outcomes are indeed achievable and measurable. If you find that your goal is not attainable or measurable during this step, it's a sign that the initiatives need further refinement.

Estimate the economic value of your outcomes

Once target outcomes are identified, companies "need to find an 'anchor study' that robustly translates those outcomes into economic terms," says Addy et al.[21] It's important to use studies that are as recent as possible and that provide scenarios closely related to the outcomes that you hope to valuate. Should there be no reliable research available, Addy et al. suggest that you "seek guidance from an expert in the field.[22]

Conduct a risk adjustment

There is a certain level of risk whenever valuation derives from research findings not immediately linked to the proposed investment opportunity. For this reason, Addy et al. say, "we adjust the social values derived from applying the anchor study to reflect the quality and relevance of the research. We do this by calculating an 'impact realization' index. We assign values to six categories and total them to arrive at an impact-probability score on a 100-point scale."[23]

The quality of the anchor study and how directly it relates to the potential investment account for 60 of the 100-points on the scale. According to Addy et al., "Anchor studies based on a meta-analysis ora randomized controlled trial merit top scores, whereas observational studies rate lower."[24] The remaining four index components each have a maximum score of 10. They include context, country income group, product or service similarity, and projected usage.

Estimate the initiative's terminal value

Following adjustments for risk, companies then need to determine the terminal value of the project. That means evaluating what the lingering or long-term impact of the initiative or campaign will be, "a new concept in social investment," say Addy et al., "where attention usually focuses on quantifying present or historical impact."[25] To do so, Addy et. al. recommend you determine the probability that both your outcome (for example, people impacted), "and social value will continue undiminished for five years."[26]

Calculate the social return (in fiscal terms)

Finally, calculation of the IMM becomes possible. Businesses "can simply take the estimated value of a social or environmental benefit and divide it by the total investment" to calculate the social return on CSR investments.[27]

Step 3: Tracking Results

The last step is potentially the most rewarding: tracking results to see if the team is meeting the organization's CSR objectives and to improve initiatives going forward. Remember to be specific. Ask questions like: What was the social return (calculated in Step 2 above)? How many people did you help from the campaign? How many dollars were raised? Schedule time to do a thorough team review to sift through the data, and then make sure to brief the leadership on the overall results. Finally, don't forget to use the data to make improvements and refinements for future initiatives.

Conclusion

Financial literacy. Presription Drug safety. Digital wellness. Compassion awareness. Increased global and national diversity. These issues are top-of-mind for increasing numbers of consumers, and many companies see these changes as an opportunity to serve customers better—and gain a competitive advantage
at the same time. Corporate social responsibility, once a sideline activity for many businesses, is moving into the center of business plans, driving both strategy and marketing. Is your company

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