

Measurement

Tips, tools and techniques



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Mapping and measuring CR for managers

Image surveys, stock price studies and socially screened checklists are among the many approaches to measuring corporate responsibility (CR) that have emerged over the years. Each has value in certain contexts, yet none captures the total impact of individual programs that managers need to strategically manage their portfolios.

Our newly launched web-based measurement tool takes a different approach. Prototyped at The Home Depot, True Impact™ enables manager to calculate the combined social and business return on investment (ROI) of their community involvement, environmental, human resource, and other CR activities on their company's bottom line.

The "Map and Measure" Approach

Perhaps the greatest obstacle to CR measurement is not knowing what to measure – and a sense that in any case it requires more time and resources than you have to spare. This is understandable, given that CR programs often involve a range of stakeholders and a variety of direct, indirect, and intangible impacts.

The key to overcoming this challenge is remembering that what ultimately matters about any corporate program is how it affects the bottom line, i.e. revenues, costs, and social goals (as contained in a corporate mission statement). Evaluating a program in these terms cuts through complexity and simplifies the measurement process. True Impact's underlying methodology – map, then measure – helps do that.

Mapping

Mapping is a brainstorming process for inventorying a program's stakeholder impacts, then thinking through their likely cause-and-effect relationships with your company's bottom line. It involves three steps:

1. Identify stakeholders, i.e., any individual or group inside or outside of your company that may be affected by the initiative you are analyzing. Examples include customer segments, employees, departments, local communities, advocacy groups, and governments.
2. Consider how each stakeholder may be impacted by the initiative you are analyzing, either positively or negatively. The goal is to be comprehensive, including direct (resource demands, outcomes), indirect (upstream or downstream results), and even intangible (perception) impacts.
3. Review each stakeholder impact, and consider how it may in turn affect your company's bottom line, i.e. revenues (sales), costs (operations,

Aggregate Rating	Very Positive	Overall ROI per \$1 Program Cost	Value of Results
3.4 out of 5			\$3.88 \$763,855 \$1,709,438
BUSINESS RESULTS			
	RATING	VALUE	ROI (per \$1)
Sales	☆ 5	\$1,128,283	\$2.17
General Operations	○ 0	-	-
Productivity	○ 0	-	-
Recruitment	○ 0	\$21,483	\$0.26
Retention	○ 0	-	-
Risk	○ 0	-	-
Satisfaction	☆ 2	\$182,447	\$0.15
Skills	○ 0	-	-
Cost of Capital	○ 0	-	-
SOCIAL RESULTS			
	RATING	VALUE	ROI (per \$1)
Arts & Culture	○ 0	-	-
Community & Economy	○ 0	-	-
Education	○ 0	-	-
Environment	☆ 2	\$ mixed	\$ mixed
- ERM Saved	☆ 2	-	-
- Quantity		1.77	-
- Socio-Econ Value		-	-
- Market Value		\$16,356	\$0.13

Figure 1. True Impact™ will calculate your social and community ROI into simple "scorecard."

Farron Levy is CEO of Cost Benefit Systems, a consultancy that helps companies measure the social and business value of their operating practices.

productivity, recruitment, retention, risk, cost of capital), and social goals (mission). These bottom-line impacts – and the degree to which they result from the program you are analyzing – become the focus of the measurement phase.

Measuring

To measure the value of the bottom-line business and social impacts you've mapped out, we suggest one of two options: rating or quantification.

Rating helps you to organize your sense of an initiative's bottom-line impact into a ballpark estimate of value, e.g. using a low-high or 1-10 scale. In just 10 minutes, this quick-and-dirty map-then-rate approach can add significant insights and rigor to rapidly needed decisions.

Quantification is appropriate when more precision is required. Though more time-consuming due to data-collection requirements, the calculations themselves rarely require more than simple arithmetic. For example, calculating a program's impact on recruiting means determining how many applications or hires increase or decrease as a result of your program, multiplied by your company's cost per application or hire. Resulting increases or decreases in the number of customers, their purchase volume, or the prices paid, multiplied by gross margin, represents the affect on sales. The total of these results – along with any impacts on productivity, risk, cost of capital, operations, or retention – define the business value of your program.

Quantifying social value is similarly straightforward and can be done using either non-monetary or monetary means.

Non-monetary measures (i.e. how much a social condition has changed as a result of your program) tend to be most useful. Expressed in a "quantity x quality" format to facilitate comparison among programs, examples include: how many acres of wetlands (quantity) have been improved from "moderate" to "good" (quality); or, how many kids (quantity) have improved their reading levels from grade one to grade two (quality).

When monetizing social impacts is desired, companies can calculate the socio-economic or market value of their programs. The former captures how much money the program saves society in terms of reduced social services costs (e.g., medical care, unemployment services), additional revenues (e.g., taxes generated), or other societal ripple effects (e.g. reduced crime). The latter calculates the price of the goods or services provided on the open market.

Frequently companies want to determine the ROI of new programs they haven't yet implemented, or existing programs they haven't been collecting data for. In those cases, you can develop estimates

Why measure?

Even if you're already convinced that your CR activities are worthwhile – whether on moral grounds or anecdotal evidence of value – measurement offers several benefits:

Increase value: Measurement enables you to increase the social or business impacts of your programs through data-driven continuous improvement. Consider, for example, CR programs designed to improve employee well-being along with productivity or retention; reduce environmental impact along with operating costs or risk; or improve the community along with sales and recruiting. These impacts can all be measured to determine whether existing programs are creating their intended value, and whether new programs or modifications promise better returns.

Build support: Too often, CR programs are treated sceptically by colleagues and key stakeholders. Measurement helps you to prove program value, strengthen internal and external reporting, and gain credibility and support.

Facilitate decision making: All companies face budget limitations; measuring the ROI of existing or prospective programs allows for benchmarking, and helps you to determine which options best meet corporate goals (whether focused solely on business value, social value, or some combination of the two) and make more strategic decisions.

using data from similar activities undertaken previously, external benchmark data, or educated guesses by people with relevant experience or expertise. Then, if you wish to collect actual data in the future, look to your cause-and-effect map to help design your data collection regime, e.g., comprehensive data gathering or strategic sampling.

Whether rated or quantified, using actual or estimated data, your ROI analysis will yield results that can be organized into easy-to-read scorecards (see illustration on title page) and applied to continuous improvement, reporting, or decision making activities.

Applying the methodology

Our evaluation approach is, like many management frameworks, conceptually simple enough to perform with pencil and paper. Indeed, that's part of its strength.

We developed True Impactsm for companies and consultancies that seek to automate this process (much like popular software packages facilitate personal finance and tax preparation). In addition to step-by-step guidance and custom calculators for completing the map and measure process, the system allows you to run scenarios using different variables, record assumptions and data sources, compare programs through multi-analysis scorecards, and more.

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