



CSR INNOVATION LABS

LINKING CSR AND COMPETITIVENESS IN LATIN AMERICA

ISSUE IV: MEASURING COMPANIES' SOCIO-ECONOMIC IMPACT

With the support of:



Secretariat:





IMPORTANCE
MEASURING

FRAMEWORK

TOOLS

CONCLUSIONS

CROSS-CUTTING
PROJECT

ABOUT US

LINKING CSR AND COMPETITIVENESS IN LATIN AMERICA

CSR Innolabs or innovation laboratories on corporate social responsibility is born as an alliance between a group of leading companies in Latin America -Acciona, CEMEX, PepsiCo and SAB Miller- together with the Inter-American Development Bank (IDB).

CSR Innolabs aim to go beyond the conventional promotional and communication models of CSR. Instead, they look to create and facilitate innovative knowledge generating systems, concrete solutions to sustainable and responsible management practices in the region. CSR Innolabs also serve as a tool for cooperation and as an opportunity-generating space to improve efficiency, competitiveness and CSR in all aspects of a company's operations.

Forética acts as the secretariat of the project.



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“Measuring companies socio-economic impact” is the result of the workshop that took place on June 5th, 2013, in Medellin (Colombia). The following experts attended the meeting:

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THE IMPORTANCE OF MEASURING IMPACT

The planet and individual companies are equally threatened by global challenges that endanger their sustainability. Many innovative solutions that have been put in place by companies are precisely conceived as a contribution to facing these challenges.

Nowadays, companies are starting to measure the socio-economic impact of products, projects and operations as a means to sustain their license to operate.

Measuring socio-economic impact helps companies identify risks and opportunities linked to the deployment of a project. Measurement is also a valuable tool to communicate with key stakeholders and enhance engagement. From a business perspective, the fact that a key dimension for any investment is its management- and given that what one doesn't measure, one can't manage- the importance of these type of measurement exercises is made more evident.

What are we actually talking about?

Here are some definitions to help you follow the discussion on the socio-economic impact of products & services, projects and operations.

Publication on Measuring Socio-economic Impact:

Measuring Socio-economic Impact

Socio-economic impact

Socio-economic impact of products, projects and operations

Socio-economic impact of products, projects and operations at a local level

THE IMPORTANCE OF MEASURING IMPACT

Publication on Measuring Socio-economic Impact:

Measuring the socio-economic impact of companies' projects and operations is a management practice with a relatively new and rapidly evolving application. A number of challenges are usually encountered in the initial stages of such deployments.

This Publication is hence designed to be a consultation and reference document on the topic, a valuable learning tool on such a challenging and strategic practice to both, companies and society at large.

Impact:

Consequences of an action at the local level.

Socio-economic impact:

Economic and social consequences of an action at local level.

Socio-economic impact of products, projects and operations:

Economic and social consequences of a company's products, projects and operations at a local level.

Socio-economic impact of products, projects and operations at a local level:

Economic and social consequences of a company's products, projects and operations on the physical and moral context affecting a person or a group of persons.

THE IMPORTANCE OF MEASURING IMPACT BUSINESS OBJECTIVES

MANAGEMENT

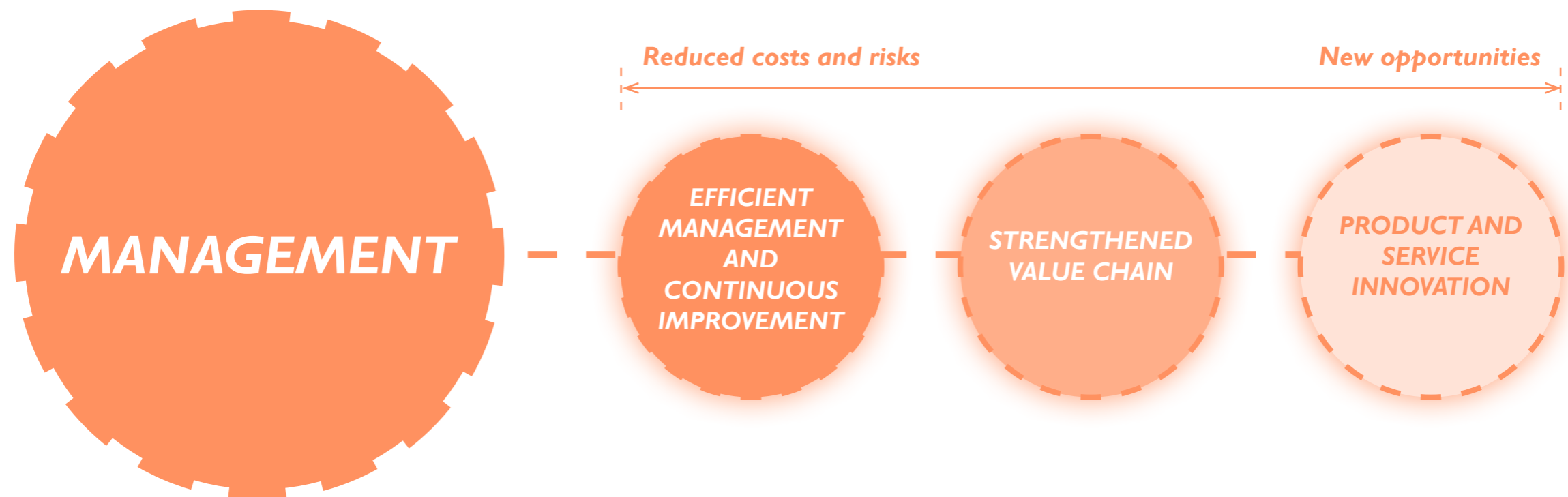
ENGAGEMENT

COMMUNICATION

THE IMPORTANCE OF MEASURING IMPACT BUSINESS OBJECTIVES

BUSINESS BENEFITS ASSOCIATED WITH MANAGEMENT

Measuring socio-economic impacts of products, projects and operations on a certain environment helps companies identify the risks and opportunities linked to the deployment of business.



Key stakeholders: investors, employees, suppliers, distributors, customers, external partners or public authorities.

THE IMPORTANCE OF MEASURING IMPACT BUSINESS OBJECTIVES

EFFICIENT MANAGEMENT AND CONTINUOUS IMPROVEMENT

Measuring impact allows for an improved management of negative impacts. Priority areas for improvement can be easily identified through continuous measurement.

STRENGTHENED VALUE CHAIN

Negative and positive impacts along the value chain can be identified and managed by understanding socio-economic impacts of products, projects and operations.

PRODUCT AND SERVICE INNOVATION

Specific needs and challenges can be detected through measuring socio-economic impact, thus boosting product and service innovation and development processes.

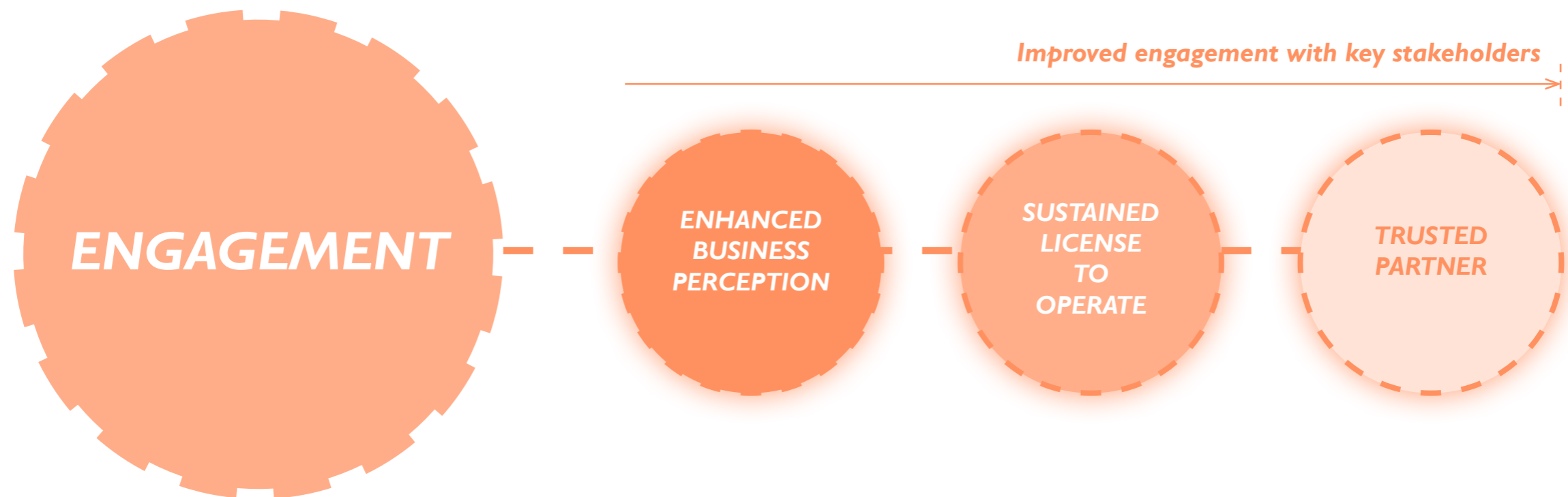
Key stakeholders: investors, employees, suppliers, distributors, customers, external partners or public authorities.



THE IMPORTANCE OF MEASURING IMPACT BUSINESS OBJECTIVES

BUSINESS BENEFITS ASSOCIATED WITH ENGAGEMENT

Measuring socio-economic impacts of products, projects and operations on a certain environment helps companies identify the risks and opportunities linked to the deployment of business.



Key stakeholders: investors, employees, suppliers, distributors, customers, external partners or public authorities.

THE IMPORTANCE OF MEASURING IMPACT BUSINESS OBJECTIVES

ENHANCED BUSINESS PERCEPTION

Measuring and grasping the impact of companies' operations at a local level along with engaging stakeholders around that impact, improves the perception of the company and its business.

SUSTAINED LICENSE TO OPERATE

Awareness of socio-economic impacts on local communities contributes to obtaining or sustaining a company's license to operate.

TRUSTED PARTNER

Stakeholder engagement around socio-economic impacts of projects, operations or products, increases community confidence towards the company.

Key stakeholders: investors, employees, suppliers, distributors, customers, external partners or public authorities.

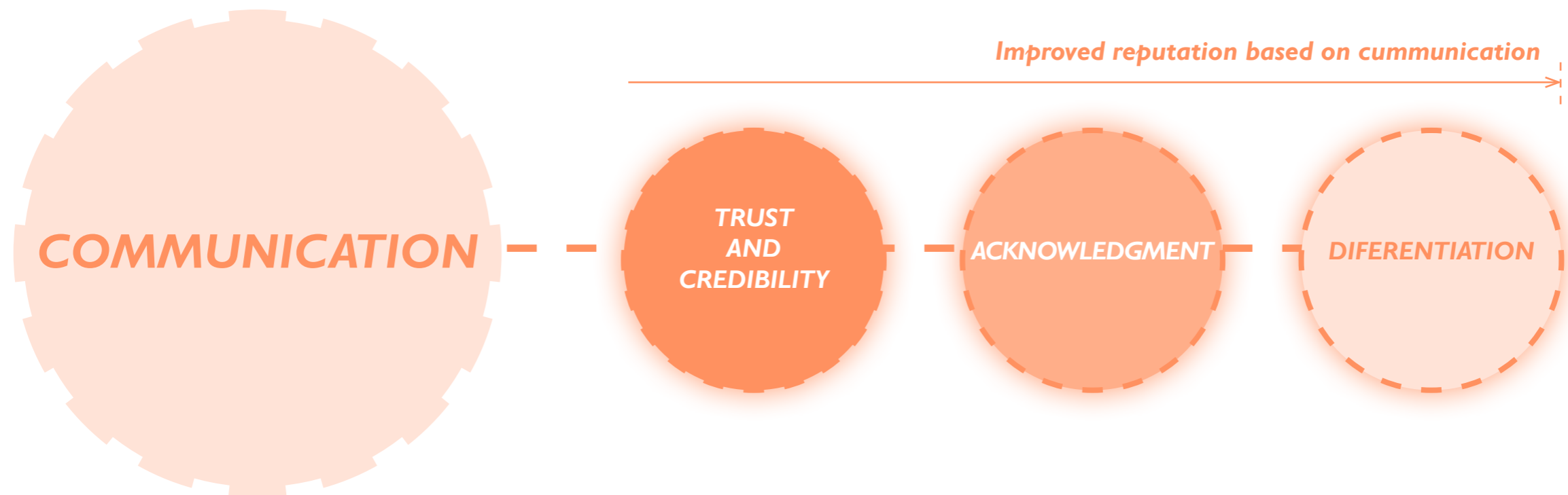


ENGAGEMENT

THE IMPORTANCE OF MEASURING IMPACT BUSINESS OBJECTIVES

BUSINESS BENEFITS ASSOCIATED WITH COMMUNICATION

Measuring socio-economic impacts of products, projects and operations on a certain environment helps companies identify the risks and opportunities linked to the deployment of business.



Key stakeholders: local communities, local / national / international public authorities, external partners, employees or customers.

THE IMPORTANCE OF MEASURING IMPACT BUSINESS OBJECTIVES

TRUST AND CREDIBILITY

Measuring and communicating an operations' socio-economic impact at a local level builds business' credibility and cultivates a relationship with stakeholders based on trust which may prevent and mitigate conflicts.

ACKNOWLEDGMENT

Communicating socio-economic impact provides recognition to both the company and employees' efforts. This boosts employees' sense of belonging resulting in greater loyalty and productivity. Reputation is improved as well.

DIFFERENTIATION

Trust and credibility, built through communicating socio-economic impacts, contributes to positioning and differentiating the company. Reputation is also positively affected as a result of external stakeholders' recognition.

Key stakeholders: local communities, local / national / international public authorities, external partners, employees or customers.



COMMUNICATION

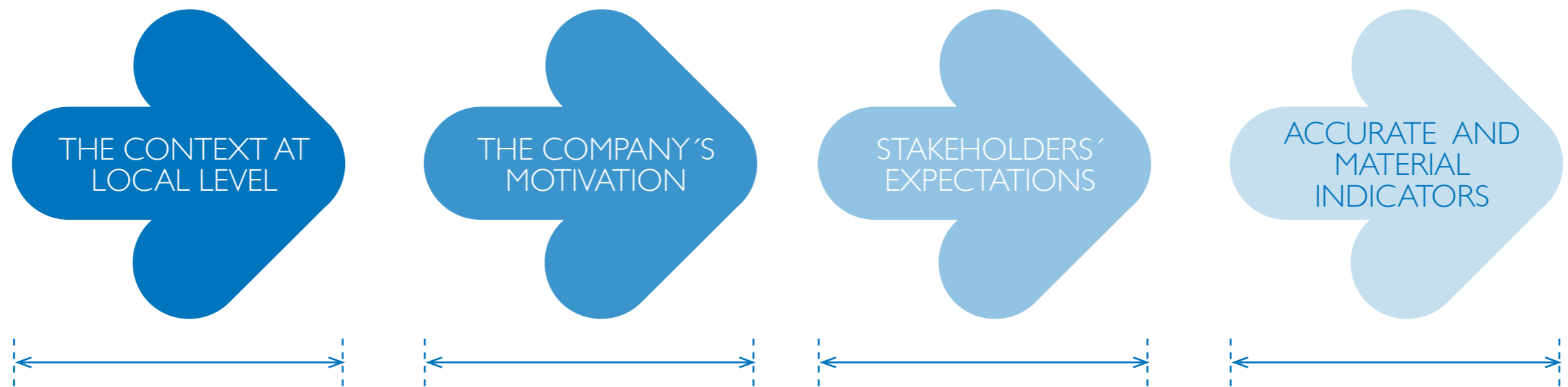
A CONCEPTUAL FRAMEWORK AS A STARTING POINT FOR MEASUREMENT

The exercise of measuring socio-economic impacts of projects and operations needs to be complemented by external inputs from the community. Basing such measurement on relevant and material aspects for the company is of equal importance. Both concepts contribute to defining the basic methodology for measurement.

A broad conceptual framework is needed in order for companies to identify relevant and material indicators, which are of value to both the company and the measurement exercise itself.

A basic conceptual framework that can be used as a starting point in the process of identifying and obtaining indicators, tools and methodologies is presented below.

A CONCEPTUAL FRAMEWORK AS A STARTING POINT FOR MEASUREMENT



A CONCEPTUAL FRAMEWORK AS A STARTING POINT FOR MEASUREMENT

THE CONTEXT AT LOCAL LEVEL

Results will be measured or compared against real community needs. Having a deep understanding and knowledge of the local context is an essential part of a measurement exercise, as it allows for a more concrete identification of social needs. Knowing the ins and outs of the community throughout the project -not only before its deployment, but also during and after - guarantees that material aspects for the community will be measured.

THE COMPANY'S MOTIVATION

A key aspect of the process is the identification of the logic and motivations of the company, while also capturing the expected value or return on investment.

STAKEHOLDERS' EXPECTATIONS

Impact indicators can be enriched on the basis of critical topics identified through stakeholder engagement and the comprehension of stakeholders' expectations. It is difficult to determine the level of engagement. Depending on a number of factors and issues to be measured, companies will pursue engagement actions ranging from comprehensive to a strictly limited dialogue.

The important thing is to get to know stakeholders' expectations towards the product or project to enable the company to contrast these with previously obtained information.

ACCURATE AND MATERIAL INDICATORS

Indicators add value in terms of measuring impact. In order to maximize that value, accurate indicators need to be established.

MEASUREMENT TOOLS AND METHODOLOGIES:

Companies have access to a growing number of tools and methodologies to aid them in measuring the socio-economic impact of their products, projects and/or operations. Some of the key methodologies are presented below.

The following is not a comprehensive list of all existing methodologies but only a selection of those the authors find more relevant to the goals of this publication.

Featured methodologies:

TOOLS	TARGET STAKEHOLDERS
Measuring Impact: A Guide for Business	Companies
MDG Scan (Millenium Development Goals)	Public authorities, external partners, internal audience
London Benchmarking Group (LBG)	Public authorities, external partners, internal audience
Socio - economic Assessment Toolbox (SEAT)	Public authorities, external partners, internal audience
Community Footprint	Public authorities, external partners, internal audience
Social Return on Investment (SROI)	Public authorities, external partners, internal audience
Poverty Footprint	Public authorities, external partners, internal audience
Impact Reporting & Investment Standards (IRIS)	Investors
GEMI Navigator	Internal audience
Measuring Impact Framework	Internal audience

MEASUREMENT TOOLS AND METHODOLOGIES: Measuring Socio-Economic Impact; A Guide for Business

Target stakeholder: Companies.

Description: The guide, published in 2013, is intended to help companies navigate the complex landscape of socio-economic impact measurement. It profiles a wide range of tools available for measuring impact in order to facilitate the selection of those methodologies that adjust to companies' needs.

The guide introduces the terminology and basic theory behind the concept for a business audience, aiming at furthering better and improving measurement practices within the private sector. All in all, its content provides a sound knowledge base to accelerate business efforts to measure and manage their socio-economic impact.

Developer: World Business Council for Sustainable Development (WBCSD).

Date: 2013.

Indicators: This guide does not provide indicators as its aim is to build the case for measuring socio-economic impact. It also introduces the basic terminology for companies that are starting the road towards impact measurement or are interested in improving their existing practices.

Access: Public access.

Added value: The guide is of great use as it introduces a terminology used among experts but in accordance with business language. It enhances comprehension and knowledge of the topic, positively impacting business efforts in this area.

MEASUREMENT TOOLS AND METHODOLOGIES:

MDG Scan

Target stakeholder: Public authorities, external partners, internal audience.

Description: The tool is designed to assist the measurement of the contribution of a company towards the Millennium Development Goals (MDGs), providing an assessment of the actual impact of company efforts.

MDG Scan is solely focused on positive impacts, offering companies and other organizations the means to assess their constructive influence on MDGs, economic growth and poverty reduction.

Developer: Business in Development and Sustainability, MDG Scan

Date: 2005

Indicators: Millennium Development Goals constitute the metrics against which results are measured.

Access: Public access. Registration is required to access the tool, though the user can decide whether to make results public or not.

Added value: The MDG Scan is designed to be an easy-to-use model. Therefore, its methodology consists of some simplifications that should be taken into account at the time of analyzing results. Finally, it focuses on the benefits of company efforts, disregarding negative impacts.

MEASUREMENT TOOLS AND METHODOLOGIES: London Benchmarking Group (LBG)

Target stakeholder: Public authorities, external partners, internal audience.

Description: The model enables companies to measure impact of community programs that have been deployed, taking into account inputs supplied by the company. The model also records outputs (results and outcomes obtained through those inputs) and leverage (other third impacts). It constitutes one of the most widely accepted methodologies among companies when it comes to measuring results of such programs, especially within the European context.

Developer: Corporate Citizenship – London Benchmarking Group

Date: Not available.

Indicators: Indicators are structured around inputs, outputs and leverage.

Access: Partial access, restricted to LBG partners. Partners receive access to the model and implementation support. A guidance manual is publicly available.

Added value: The opportunity to develop an input-output analysis is provided through the Model, a tool that can be easily put into practice by companies deploying community investment programs. However, the resulting information excludes the dimension of context, as the analysis does not take into account the local community needs.

MEASUREMENT TOOLS AND METHODOLOGIES: Anglo- American's Socio-economic Toolbox (SEAT)

Target stakeholder: Public authorities, external partners, internal audience.

Description: The toolbox, developed by Anglo American, allows for the measurement of social and environmental impacts of a company's operations. It underlines the complexity behind managing such impacts within large scale extractive operations. The tool is designed to identify and manage key social and environmental impacts throughout project development, operation and closure.

The SEAT process is divided into seven steps, with each step being supported by a number of tools.

- Profiling the operation and the host community.
- Engaging with stakeholders.
- Assessing and prioritizing impacts and issues.
- Improving social performance management.
- Delivering enhanced socio-economic benefits to host communities.
- Developing a social management plan.
- Preparing a SEAT report and feedback to stakeholders.

Developer: Anglo-American

Date: 3rd version released in 2012.

Indicators: Supporting documents cover different focus areas and indicators to be measured, thus, providing a thorough set of metrics.

Access: Public access.

Added value: The set of tools provide detailed support for measuring the socio-economic impact of business practices, including templates and worksheets. SEAT constitutes a thorough tool open to the public. Stakeholder engagement is at the center of the model. Its complexity, however, makes its application challenging and resource-intensive.

MEASUREMENT TOOLS AND METHODOLOGIES:

Community Footprint

Target stakeholder: Public authorities, external partners, internal audience.

Description: Community Footprint has been developed to enable businesses to understand and manage their local socio-economic impact (both positive and negative). The toolkit supports impact assessment of operations and activities -employment, products and services, location, supply chain and community investment- relevant to the local economy, people and place the company works in.

The process is arranged around five steps:

1. Define local
2. Understand community needs and local issues as well as business and current initiatives
3. Understand the community footprint
4. Identify action areas and manage impacts
5. Review and evaluate

Existing specialized systems, (such as Anglo American's Socio-Economic Assessment Toolbox) were adapted into an easy-to-use set of practical tools for general business use.

Developer: Business in the Community

Date: 2013 (A pilot program is currently underway).

Indicators: The tool provides a thorough set of community and business indicators and a searchable database of effective actions that can be taken as a response to the negative and positive impacts identified.

Access: Restricted access.

Added value: It is designed to identify and assess socio-economic impact locally, therefore allowing for a local focus. An online tool is being developed to capture and visualize impacts, facilitating the gathering of information and the management of a company's community footprint.

MEASUREMENT TOOLS AND METHODOLOGIES: Social Return on Investment (SROI)

Target stakeholder:	Public authorities, external partners, internal audience.
Description:	<p>SROI is a principles-based framework that looks to understand the non-financial value of resources invested. It is based in direct and indirect outcomes as results of concrete actions, operations or policies.</p> <p>The methodology is arranged around six steps:</p> <ol style="list-style-type: none">1. Establishing scope, identifying and engaging stakeholders.2. Mapping outcomes.3. Evidencing outcomes and giving them a value, through stakeholder engagement and development outcome indicators.4. Establishing impact.5. Calculating the SROI based on positive and negative impacts.6. Reporting and embedding . <p>The implementation of SROI results in a symbolic monetary value of the ratio of return of social investment.</p>
Developer:	Initially developed by Roberts Enterprise Development Fund in 2000, the methodology has been reviewed on several occasions, for example, by Hewletts Foundation and the UK's Office for Civil Society in 2007, after which The SROI Network was formed. The Network published a Guide for SROI in 2009 and today promotes the use and development of the SROI methodology internationally.
Date:	2007-2009
Indicators:	The SROI guide offers specific examples of indicators identified in case studies, though it does not provide a thorough set of metrics.
Access:	Public access.
Added value:	The results of a specific project or operation can be identified on the basis of SROI. Developed by the civil society, the tool accurately integrates the perspective of social value. The resulting monetary value can sometimes lead to confusion and has been criticized as a contradiction to the principles behind the model, rooted on the concept of social value but leading to a numeric economic ratio.

MEASUREMENT TOOLS AND METHODOLOGIES:

Poverty Footprint

Target stakeholder: Public authorities, external partners, internal audience.

Description: Oxfam's Poverty Footprint Methodology helps companies to comprehensively understand their contribution to poverty alleviation and how their operations affect the people in their value chains and the communities where they operate. It focuses on five aspects closely linked to the company: value chain, macro-economy, institutions and policy, social implications of environmental practices and product development and marketing.

The methodology looks at the way in which these relate to standard of living, health and well-being, diversity and gender equality, stability and security and empowerment. Finally, it is based on a six-phase implementation framework: pre-study preparation and project management, project initiation, study design, primary research and data analysis, study outputs and finally implementation of recommendations, monitoring and follow-up.

Developer: OXFAM International

Date: 2009

Indicators: Only information related to general areas of impact are provided.

Access: Restricted access. Broad information is available but the methodology and its implementation can only be accessed through the developer (OXFAM).

Added value: The methodology focuses on understanding business contributions to development, on the basis of clearly defined impact areas. Results obtained through its application are of interest for a company in its relations with public authorities. Restricted access limits its impact, scope and use.

MEASUREMENT TOOLS AND METHODOLOGIES:

Impact Reporting & Investment Standards (IRIS)

Target stakeholder: Investors

Description: IRIS is the catalog of generally accepted performance metrics that leading impact investors use to measure a company's social, environmental, and financial success, evaluate projects, and grow the credibility of the impact investing industry.

The catalogue covers six general areas that may be relevant to a wide range of organizations operating in various sectors.

1. Description of the organization: Includes metrics related to company's mission, business model, location, etc.

2. Product information: Includes products / services description, sales, clients, etc.

3. Financial performance: Incorporates performance metrics in accordance to the generally accepted accounting principles and financial reporting standards.

4. Business impact: Covers information about company policies, employment and environmental performance.

5. Product impact: Highlights data about products and services' benefits.

6. Terminology: Glossary of terms.

Developer: Global Impact Investing Network (GIIN)

Date: 2008 (developed by The Rockefeller Foundation, Acumen Fund and B Lab with the support of Hitachi, Deloitte and Pricewaterhouse Coopers).

Managed and promoted by GIIN since 2009. A new version was launched in 2014.

Indicators: IRIS provides both "cross-sector" and "sector-specific" metrics under each of the six above-mentioned areas.

Access: Partial access. Though IRIS is not a public tool, several support documents and guides are provided publicly. The benchmark dimension, which is central to the methodology, is only available for members.

Added value:

IRIS is a broadly recognized tool among impact investors. Its main feature for target stakeholders is that it facilitates comparisons amongst different companies' performance.

MEASUREMENT TOOLS AND METHODOLOGIES: GEMI Navigator

Target stakeholder: Internal audience .

Description: The Global Environmental Management Initiative's (GEMI) Metrics Navigator is a tool that helps organizations develop and implement metrics that support business strategy both from a financial and a non-financial perspective. Based on management systems, the tool presents a six-step process to select critical metrics.

The process can be presented as follows:

- Planning: What is material? Steps 1 - 3.
- Action and observation: What and how to measure? Step 4.
- Looking forward: How to assure effectiveness? Steps 5 - 6.

The metrics identified through the GEMI Navigator support business strategy and add value to the organization.

Developer: Global Environmental Management Initiative (GEMI) en colaboración con BRIDGES to Sustainability de Golder Associates Inc.

Date: 2007

Indicators: The Navigator constitutes a conceptual framework supporting the development of tailor-made indicators.

Access: Public access. Methodology, manuals and other documents are publicly available.

Added value: This conceptual framework provides, from a management systems perspective, a guide for reflection and identification of tailor-made company indicators, which guarantees their usability and relevance. Its application can be complicated though, as it requires specific knowledge to be found present internally in the organization and may require external experts if this internal knowledge is absent.

MEASUREMENT TOOLS AND METHODOLOGIES:

WBCSD Measuring Impact Framework

Target stakeholder: Internal audience.

Description: The Framework is designed to help companies understand -from a business perspective- their contribution to society. The 4-step methodology focuses on understanding direct and indirect impacts of business activities.

It looks to:

1. Set boundaries.
2. Measure direct and indirect impacts.
3. Assess contribution to development.
4. Prioritize a management response.

Built by business for business, it provides relevant information, material to the long-term business strategy. It is a useful and flexible framework complementing existing tools and standards that may already be in place inside the company.

Developer: World Business Council for Sustainable Development (WBCSD)

Date: 2008

Indicators: Though the set of indicators is not exhaustive, the framework does define concrete business impacts and their correspondence with different development needs.

Access: Public access including case studies on its application by companies from different sectors and operating in distinct locations.

Added value:

The framework is a useful and flexible tool. It links direct company impacts such as products / services or job creation to development indicators such as economic growth, human rights or social stability. It thus, connects company impacts with its broader development contribution. In addition, it encourages stakeholder engagement.

MEASUREMENT TOOLS AND METHODOLOGIES:

The table below provides information about the business objectives to which each methodology contributes. It also highlights a level of implementation or scope of the measurement methodology: at local, within the value chain, related to a specific product or business unit, related to operations at a national or global level. The table is therefore presented to provide guidance to determine the most accurate tool depending on the business objectives and level of implementation desired.

METHODOLOGY	BUSINESS OBJECTIVE			LEVEL OF IMPLEMENTATION					
	Name	Communication	Engagement	Management	Local project	Value chain	Specific product or business	National operations	Global
MDG Scan	●	✓	✓	✓	✓	✓	✓	✓	✓
London Benchmarking	●	✓	✓	✓	○	○	○	✓	○
SEAT Toolbox	●	✓	✓	✓	✓	✓	✓	✓	✓
Community Footprint	●	✓	✓	✓	✓	○	○	○	○
SROI	●	✓	✓	✓	✓	○	○	○	○
Poverty Footprint	●	✓	✓	✓	✓	✓	✓	✓	✓
IRIS	●	✓	✓	✓	✓	✓	✓	✓	✓
GEMI Navigator	●	✓	○	○	✓	✓	✓	✓	✓
Measuring Impact Framework	●	✓	✓	✓	✓	✓	✓	✓	✓

“Measuring Socio-economic Impact: A Guide for Business” (WBCSD) is not included in this table as it is a business guide and not a measurement tool.

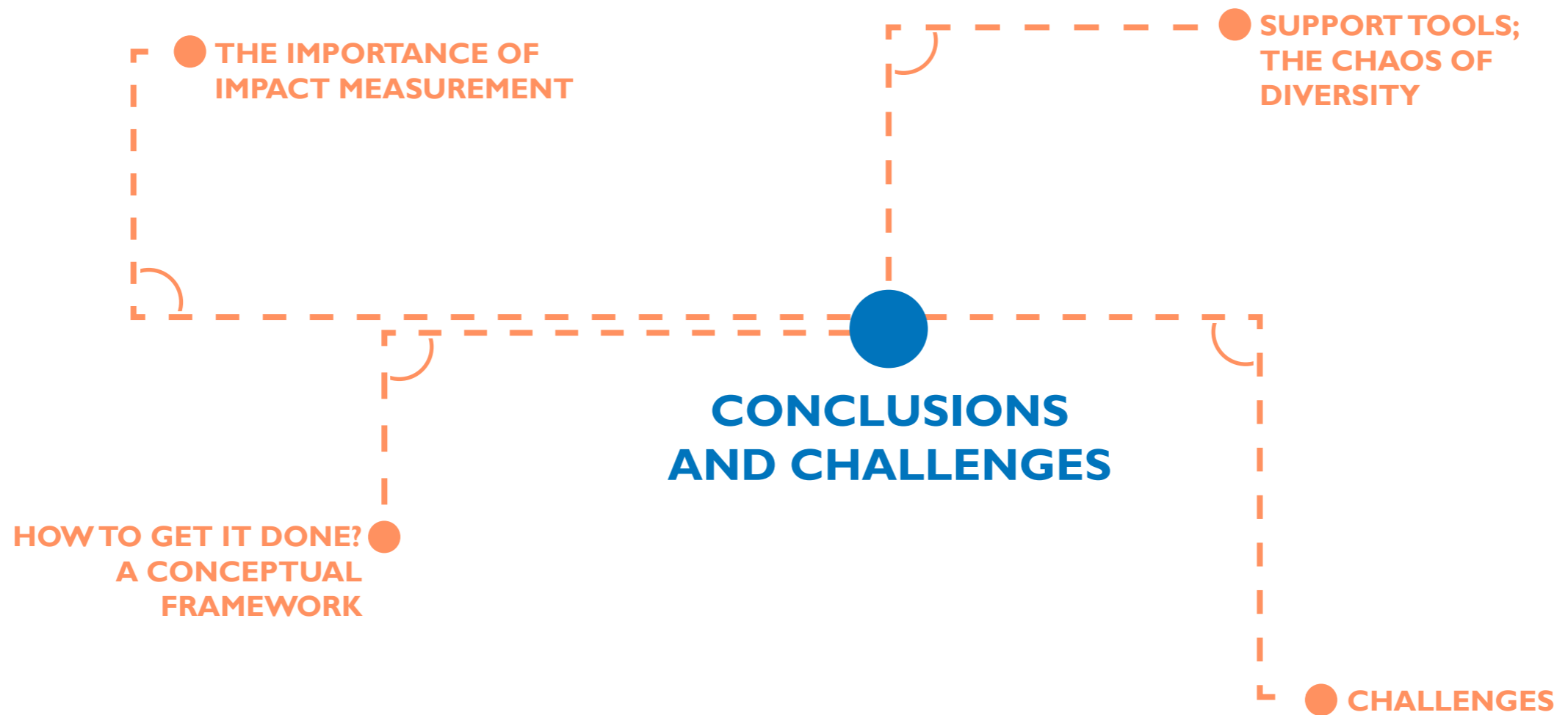
MEASUREMENT TOOLS AND METHODOLOGIES:

This dossier highlights different tools and methodologies used to measure the socio-economic impact of companies' operations. It is not, however, a thorough identification of all tools, as it introduces only a selected number of them.

A few additional resources on measuring socio-economic impact of business operations are listed below:

- **Measuring Total Impact: A new language for Business Decisions** [CLICK HERE](#)
(PWC- 2013).
- **The Reputation Journey: From measurement to business impact** [CLICK HERE](#)
(Reputation Institute - 2013).
- **Social and economic impact: measurement, evaluation and reporting** [CLICK HERE](#)
(Registration is required to access the information). (Ethical Corporation - 2010).

CONCLUSIONS AND CHALLENGES



CONCLUSIONS AND CHALLENGES

CONCLUSIONS

THE IMPORTANCE OF MEASUREMENT IMPACT

A business' success and its socio-economic impact are closely linked. Measuring socio-economic impact makes it possible to identify new business opportunities as well as to reduce risks and costs. In addition, stakeholder engagement is improved, especially in relation to key players such as public authorities and local communities.

Within the company, measurement constitutes a buy-in tool that makes it easier to highlight both the relevance of actions deployed and the positive impact obtained by the company.

Measurement can also constitute the basis for new investments, both externally or internally, as they provide the project with an impact dimension. As result, it is likely that new resources will be allocated to these initiatives.

Finally, measuring socio-economic impact enhances the transparency of the project or initiative, as it contributes to a transparent management of the assigned funds.

CONCLUSIONS AND CHALLENGES

CONCLUSIONS

HOW TO GET IT DONE? A CONCEPTUAL FRAMEWORK

Based on measurement experience from different organizations and taking into account the tools presented, a conceptual framework can be established. This framework facilitates the development of custom-made indicators. In addition, any organization can identify measurement metrics that are relevant to the reality, materiality and context in which these initiatives are deployed. The framework has been largely commented upon in the second document.



CONCLUSIONS AND CHALLENGES

CONCLUSIONS

HOW TO GET IT DONE? A CONCEPTUAL FRAMEWORK

Here are some key recommendations and advice in the framework of this conceptual model:

- **Context is a key variable:** Tools and methodologies of application in Latin America may not be the most appropriate for different geographical markets.
- **Simplify - material aspects are the ones to be measured:** As a starting point, materiality needs to be defined, both towards the company and the community or environment. Unfortunately, impact measurement can often prove excessively detailed and softly related to impacts of relevance. (See “Challenge 1 – Crazy indicators” for more information).

CONCLUSIONS AND CHALLENGES

CONCLUSIONS

SUPPORTING TOOLS; THE CHAOS OF DIVERSITY

A number of tools and methodologies provide support in measuring the socio-economic impact of businesses, as highlighted in the third section of this document. Those tools range from conceptual frameworks developed by reference sustainability players such as the World Business Council for Sustainable Development, to methodologies focused on communication such as the MDG Scan, designed to assist the measurement of the contribution of a company towards the Millennium Development Goals. The different tools presented have diverse focuses, covering from the contribution to poverty eradication, to metrics that allow investors to compare companies' socio-economic performance. The diversity in the nature and scope of this wide range of tools facilitates a certain amount of chaos in the realm of impact measurement, though it is precisely the specificity of each tool which enriches the exercise at an individual level.

CONCLUSIONS AND CHALLENGES

CONCLUSIONS

SUPPORTING TOOLS: THE CHAOS OF DIVERSITY

Companies can either choose a publicly available tool as the basis for their analysis or develop an in-house methodology. It is even possible to combine both, by developing a custom-made methodology based on a public tool.

A few aspects need to be taken into account when implementing such public methodologies:

- **Materiality and flexibility:** The tool should be assessed, in relation not only to the project to be measured but also to the company. The more aligned the tool and company's needs are, the better. The flexibility of the tool and its capacity to adapt to company's measurement needs are of equal importance when selecting a tool.
- **Balancing tools and costs:** The selection of a specific methodology should not bring excessive costs nor a bureaucratic management and collection of data.
- **To engage or not to engage:** Stakeholder engagement is a central aspect of measuring socio-economic impact, turning at times into one of the most sensitive and intense aspects of this exercise. Certain tools contemplate stakeholder engagement as a mandatory step, while other tools offer alternatives to collect information beyond pure engagement. This dimension can help the company select the most accurate tool, depending on its own position and needs in relation to stakeholder engagement.

CONCLUSIONS AND CHALLENGES

CHALLENGES

1

2

3

CONCLUSIONS AND CHALLENGES

CHALLENGES

WHAT IS BEING MEASURED? THE CRAZINESS OF INDICATORS

Even after identifying a framework for the identification of relevant metrics, indicators bring about a great deal of difficulty for companies. As previously explained, the initial steps towards measuring are based on: the context at community level, the company's motivation and stakeholders' expectations. Fully understanding these aspects is the stepping-stone to establishing accurate indicators with certain ease. **Indicators are consequently custom-made, for each project, though this makes it difficult to compare projects among different companies or even within a single company.** A possible solution to this never-ending problem of comparability and relevance of indicators may be to **focus on stakeholders.** Common indicators can be defined by taking into account **key stakeholders' expectations.**

CONCLUSIONS AND CHALLENGES

CHALLENGES

WHAT IS BEING MEASURED? THE CRAZINESS OF INDICATORS

For example it can prove useful to use a basic set of broad indicators (common to every project) complemented with a set of specific indicators. This approach makes it easier to report to investors while at the same time provides the measurement exercise with a fully local perspective.

When it comes to communication, companies should keep in mind that **measuring is not equivalent to communicating**. It is normal for companies to measure impact based on their communication outlooks. This alters the measurement exercise and could potentially have an impact -either positive or negative- on the project itself. Companies are also inclined to communicate projects' impact through corporate channels such as the sustainability report. However, this keeps the contents from reaching potential relevant public (e.g. local communities).

CONCLUSIONS AND CHALLENGES

CHALLENGES

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TRANSLATING INDICATORS TO SOCIO - ECONOMIC IMPACT

The measurement of socio-economic impact is increasingly being integrated into companies' project management processes. There is still however, a long way to go. One of the main challenges is the translation of company results to socio-economic impacts, mostly due to the lack of definition of what is "impact" in the first place. Results and outputs tend to be measured, whereas impact per se is not. For example, companies talk about the number of job positions created or the kind of contract under which these jobs are offered. However, it remains a challenge to link such tangible results and outputs to concrete socio-economic impacts such as how the results affect employment conditions or on the local job market in the longterm.

CONCLUSIONS AND CHALLENGES

CHALLENGES

3

AN INPUT FOR BUSINESS STRATEGY

A third challenge can be found in the disconnect between the results of the socio-economic impact measurement and the business strategy. Often enough, the exercise of measuring is reflected on internal reports aimed for management level or engaging with local communities. However, the business strategy remains exclusively based on economic aspects, disregarding the potential value that may entail the consideration of socio-economic impacts, risks and opportunities.

CROSS-CUTTING PRACTICAL PROJECT ON SOCIO-ECONOMIC IMPACT MEASUREMENT. (THE SOCIO-ECONOMIC IMPACT MEASUREMENT TREE)

PROJECT DESCRIPTION AND OBJECTIVES:

The companies participating in the 2013 edition of CSR Innolabs are working on a collaborative field project, as agreed at the workshop that took place on June 5th, 2013, in Medellin (Colombia) on “Measuring companies’ socio-economic impact”.

The generation of knowledge that contributes to the improvement of socio-economic impact evaluation and measurement processes is the ultimate goal of the project, which has a particular focus in Latin America and the Caribbean. Through the analysis of different projects led by each of the companies, the project will look at techniques, processes, successful examples and methodologies for these types of business practices.

With the support of Forética -acting as the secretariat of the project- the Inter-American Development Bank, and based on existing initiatives currently in place, the participants will share key lessons for measuring and managing socio-economic impact of projects in Latin America and the Caribbean.

The project is currently under development and the results and main findings are expected to be published in 2014.

You may contact Beatriz Berruga at bberruga@foretica.es for more information on this matter.

PARTICIPANTS

The CSR Innolabs are focused on the combined work of a series of leading organizations on CSR in Latin America. These organizations are:





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PARTICIPANTS

IDB



The IDB is a major source of long-term financing for Latin America and the Caribbean. Founded in 1959 and with a present membership of 48 countries, the Bank helps to accelerate the economic and social development of its 26 borrowing member countries in the region.

As one of the largest regional multilateral development institutions, the IDB collaborates with many partners through its provided through its Office of Outreach and Partnerships.

www.iadb.org

PARTICIPANTS

ACCIONA



ACCIONA is one of the foremost Spanish business corporations, leader in more than 30 countries in the development and management of infrastructure, renewable energy, water and services.

ACCIONA's positioning as a pioneer in development and sustainability expresses its capacity to respond to the challenge of achieving sustainable development in all its business areas, by contributing to economic growth, social progress and protection of the environment. This commitment was ratified by ACCIONA'S inclusion in various sustainability indexes, such as the Dow Jones Sustainability World Index (DJSI World) and the FTSE4Good. ACCIONA is listed on the selective Ibex 35 stock market index, employs over 32.000 professionals and reached 7.016 million euros in annual revenues in 2012.

Twitter: [@acciona](https://twitter.com/acciona) YouTube: www.youtube.com/user/interacciona

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CEMEX



CEMEX is a global company that produces high quality materials for the construction industry and reliable service to customers and communities in America, Europe, Africa, Middle East, and Asia. Its network of operations produces, distributes, and markets cement, ready-mix concrete, aggregates, and related products in over 50 countries. It conducts business operations in some 102 countries.

The company encourages the development of countries in which it operates by creating innovative and sustainable solutions for construction to improve the quality of life.

www.cemex.com



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PEPSICO



PepsiCo is a world leader in the food and beverage industry. The company has a net income of more than US\$ 65 billion and a product portfolio that includes 22 brands that individually generate more than US\$ 1 billion in annual retail sales.

Its main businesses —Quaker, Tropicana, Gatorade, Frito-Lay and Pepsi-Cola— produce hundreds of delicious foods and beverages that are appreciated around the world.

PepsiCo is committed to sustainable growth through its investments in a healthier future for people and the environment, which also means a more successful future for PepsiCo. The company calls this commitment “Performance with Purpose”: PepsiCo is committed to providing a wide range of foods and beverages to suit local tastes, find innovative ways to minimize its impact on the environment by conserving energy and water and reducing the volume of its packaging, provide excellent working conditions for its employees, and respect, support and invest in local communities where it operates.

www.pepsico.com



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PARTICIPANTS

SAB MILLER

SABMiller is one of the world's leading brewers with more than 200 beer brands and some 70,000 employees in over 75 countries.

We also have a growing business in soft drinks and are one of the world's largest Coca-Cola bottling companies.

We have become a global leader nurturing strong local brands and building brand portfolios which respond to the needs of our consumers in each of our markets.

Our portfolio includes premium international beers like Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft and Grolsch, as well as local leading brands like Águila, Castle, Miller Lite, Snow, Tyskie and Victoria Bitter.



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SAB MILLER

We have grown thanks to a culture of excellence in operations, providing high quality products, innovation and sustainable development.

We believe that our business is not isolated from society and that the success of SABMiller is completely linked to the wellbeing of the general community. Everywhere we operate, we are working to build strong local businesses that can contribute to the local economy.

www.sabmiller.com

PARTICIPANTS

FORÉTICA



Forética is the leading CSR organization in Spain and Latin America. Its mission is to promote ethical management and social responsibility by providing organizations with the knowledge and tools to successfully develop a sustainable and competitive business model. Currently, it has over 200 members.

Forética is present in main CSR forums at European level and in Latin America. It is CSR Europe's national partner in Spain and a member of Forum Empresa in Latin America. In Spain, Forética is a member of the State Council on CSR (Consejo Estatal de RSE) as an expert organization in the field. Additionally, it is the owner of the standard SGE21, the first CSR management system which permits voluntary certification.

www.foretica.org



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