How to Assess the Value of CSR Efforts
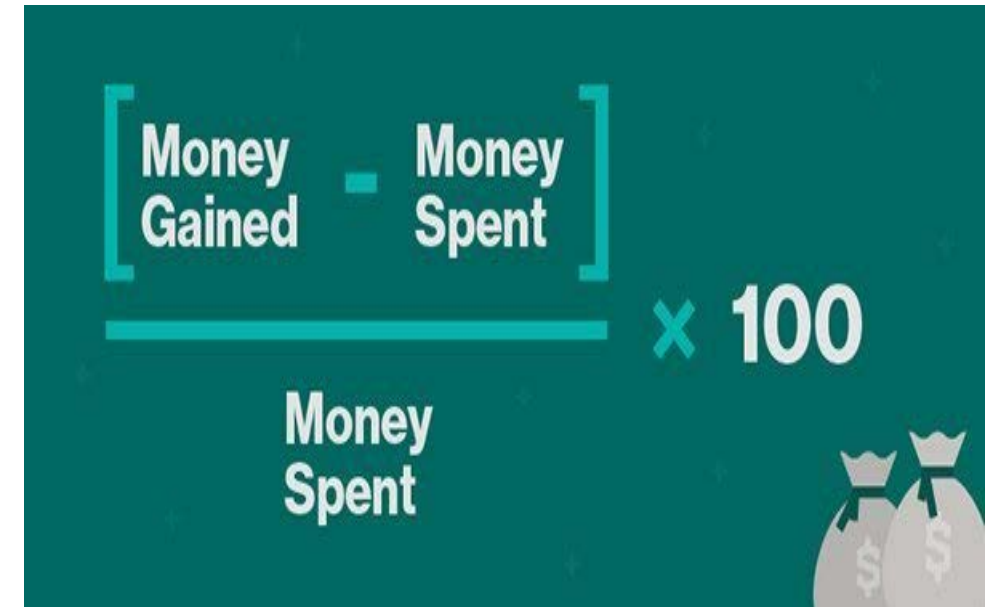
Measurement Hour
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Fact Checking the CSR Discussion

| Myth	Reality
CSR is just a feel good thing	CSR impacts the bottom line
CSR = Greenwashing	CSR makes you more competitive
CSR is only for companies that need it	Sustainability isn't optional
You can't calculate ROI for CSR	Maybe not, but you can show value
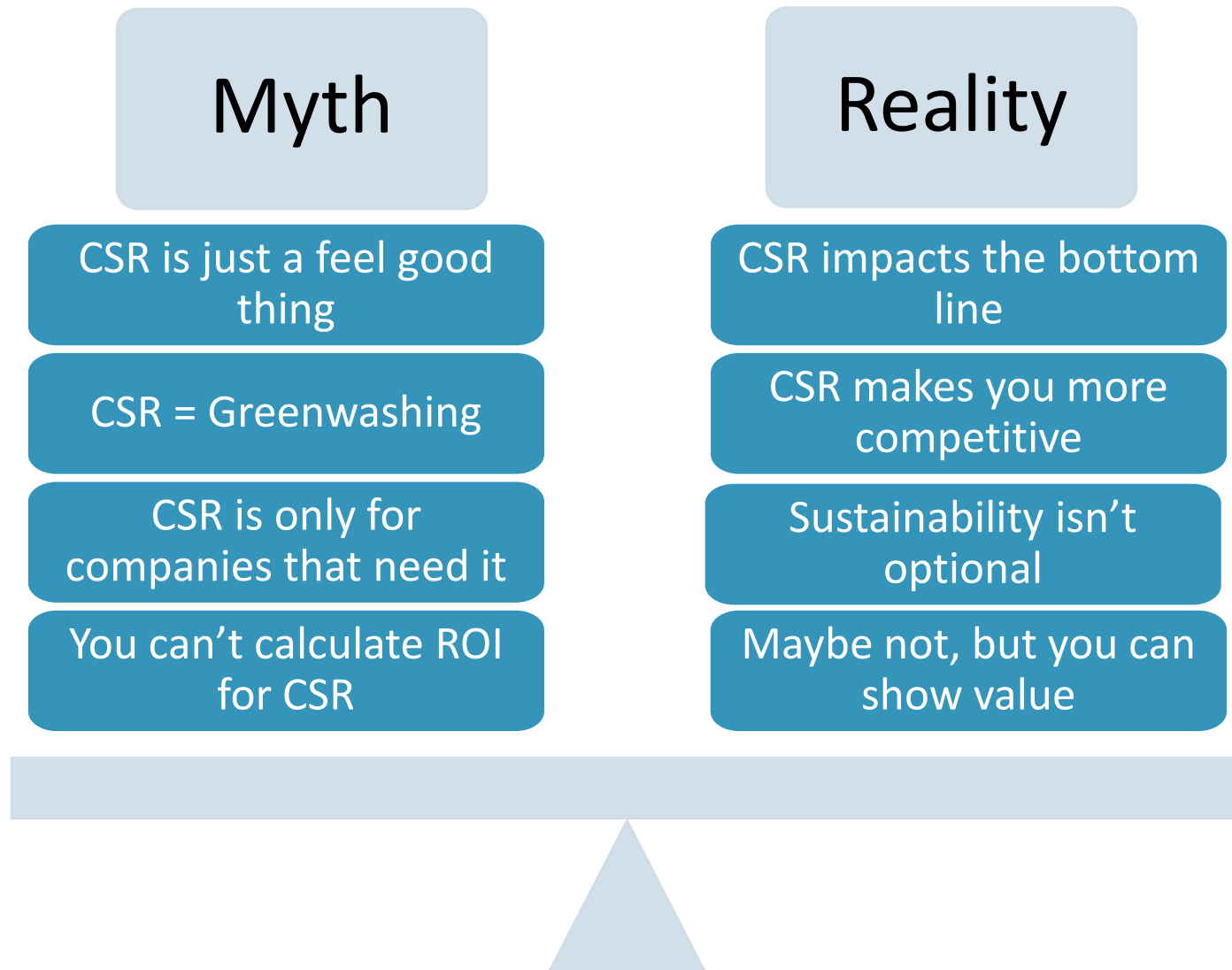
The Problem with Social ROI

▶ You can't divide by 0

▶ You can't divide by an unknown

▶ You probably can't define the "R" or the "I" to the satisfaction of a CFO

$$\frac{[\text{Money Gained} - \text{Money Spent}]}{\text{Money Spent}} \times 100$$
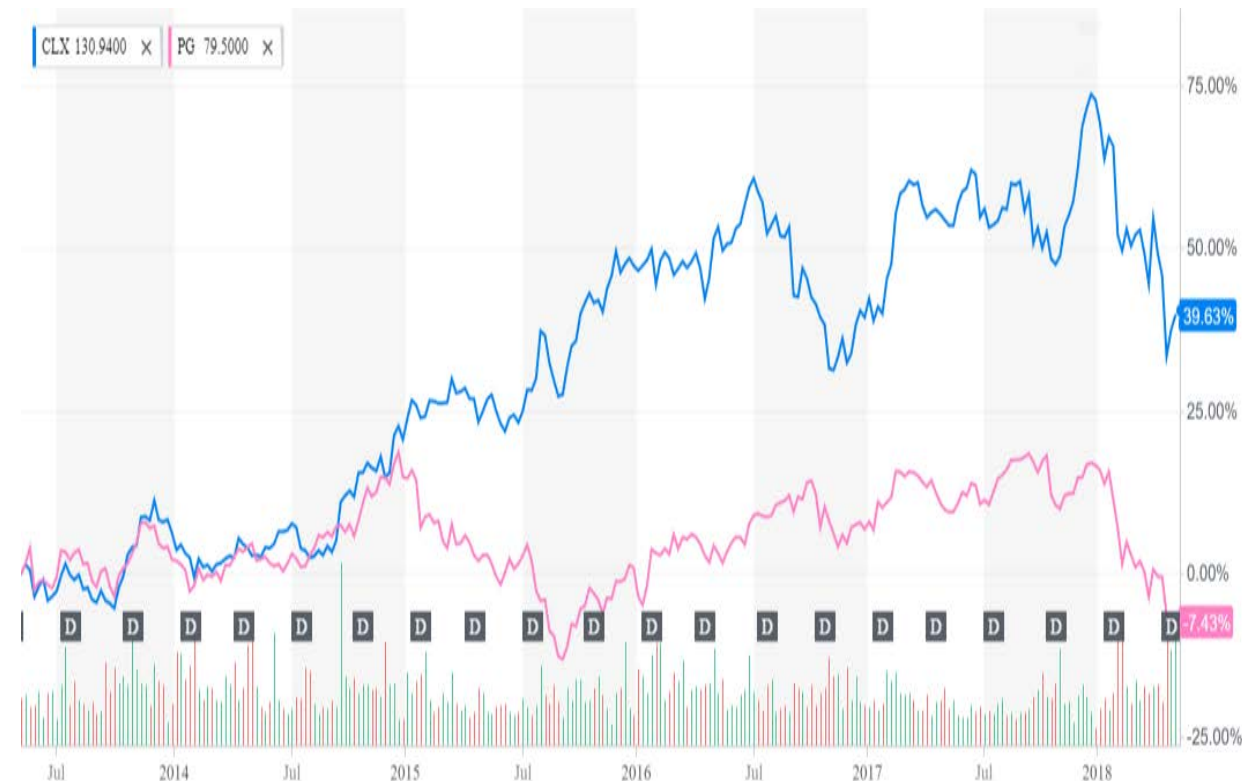
Let's talk about value

▶ Pepsi: Performance with Purpose

    ▷ *PepsiCo is focused on delivering sustainable long-term growth while leaving a positive imprint on society and the environment - what we call Performance with Purpose. Our focus includes transforming our portfolio and offering healthier options while making our food system more sustainable and communities more prosperous.*

    ▷ Indra Nooyi: "Hero of Conscious Capitalism"

    ▷ Definitions of success:

        ▷ ESG Score

        ▷ Employee retention & recruitment

        ▷ Stock price
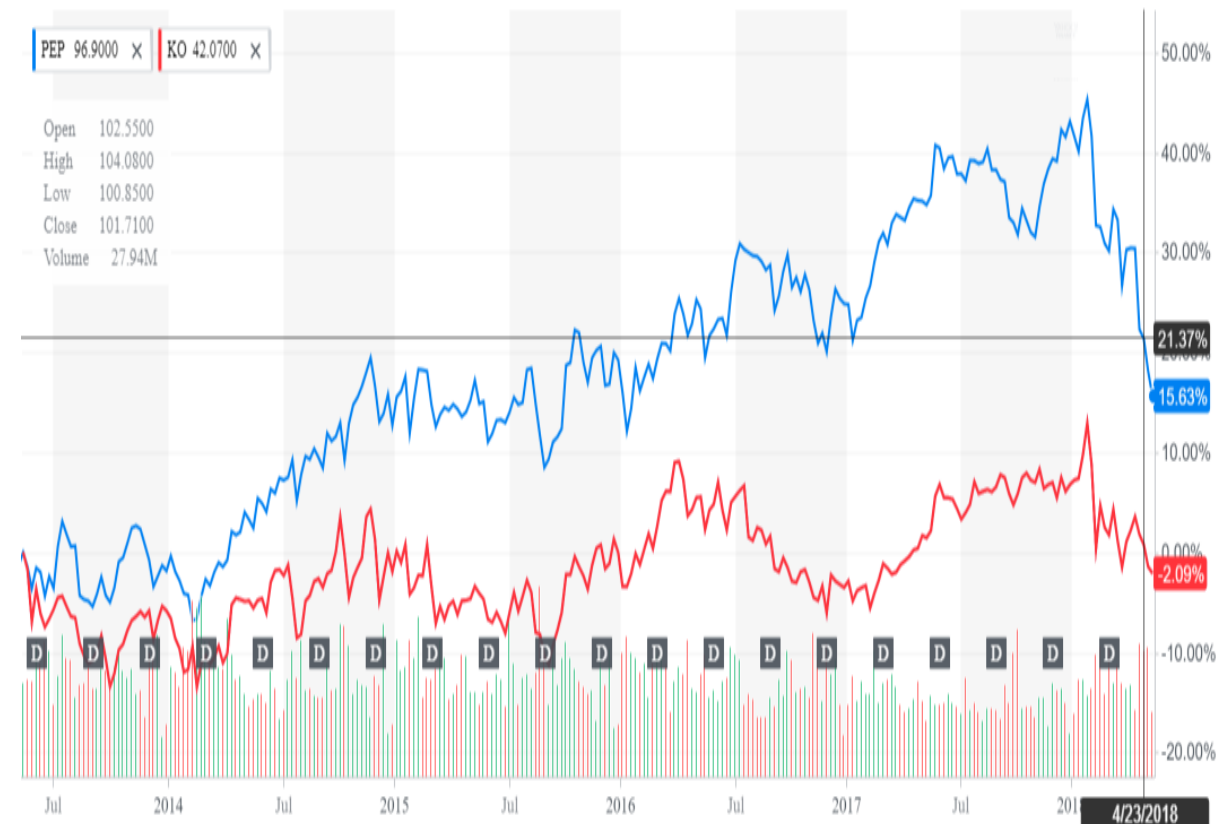
Let's talk about value

▶ Clorox: Good Growth

▷ *We believe our short- and long-term success lies in our focus on one thing: good growth. It's growth that's profitable, consistent and achieved in a responsible way. Our long-term strategic plan that guides our business — includes financial goals as well as corporate responsibility goals, addressing environmental sustainability in our operations and products, diversity and inclusion, workplace safety, responsible sourcing and philanthropy, among other key areas of our business. It's about achieving success the right way: responsibly and guided by our values.*

▷ *Definitions of success:*

  ▷ *Stock price*
  ▷ *Recruitment*
  ▷ *ESG Score*

Let's talk about value

- ► Southwest Airlines
  - ▷ *Southwest Airlines' number one priority is to ensure the personal Safety of each Southwest Customer and Employee. Beyond this, we follow "The Golden Rule," meaning that we treat each other the way we want to be treated, which is why doing the right thing by our Employees and Customers is so inherent to who we are as a Company. We believe in Living the Southwest Way, which is to have a Warrior Spirit, a Servant's Heart, and a Fun-LUVing Attitud.*
  - ▷ *Definitions of success:*
    - ▷ *Employee engagement in community volunteerism*
    - ▷ *Community improvement*
    - ▷ *180,000 gallons of fuel saved*

What does being socially responsible mean?*

CONSUMERS CONSIDER THE IMPORTANCE OF A COMPANY'S RESPONSIBLE BUSINESS PRACTICES:

Very/somewhat likely (net)

Being a good employer — 94%

Operating in a way that protects and benefits society and the environment — 90%

Creating products, services or programs to ensure the well-being of me and my family — 89%

Investing in causes in my community and around the globe — 87%

Standing up for important social justice issues — 78%

- ► Being a good employer
- ► Protecting the environment
- ► Benefits society
- ► Offers products, services and programs that ensure my well-being
- ► Investing in causes
- ► Standing up for social justice

*2017 Cone Communications CSR Study

The Bottom Line Value of CSR

CSR Efforts → Talent preference → Employee Engagement → Customer preference → Reduced Customer Churn → Market growth → Investor Preference (ESG Score) → Cost savings → $$

▶ Profit

  ⊳ 89% of consumers would switch to a brand that is associated with a good cause, given similar price and quality—up from 66% in 1993.

  ⊳ 87% said they'd be more likely to trust a company that supports a social or environment issue

  ⊳ 88% would be more loyal.

▶ Loss

  ⊳ 88% said they would boycott a company that demonstrated irresponsible business practices.

  ⊳ 65% will *do research to ensure you're being authentic*.

  ⊳ 79% of respondents in the Cone research said that they expect businesses to continuously improve their CSR efforts.

Best Practice Measurement Process

6 Steps to Success

Step 1: Define the goal
What outcomes is this strategy or tactic going to achieve?
What are your measurable objectives?

Step 2: Define the parameters
Who are you are trying to reach? How do your efforts connect with those audiences to achieve the goal?

Step 3: Define the benchmark
Who or what are you going to compare your results to?

Step 4: Define the metrics
What are the indicators to judge your progress?

Step 5: Select your data collection tool(s)

Step 6: Analyze the data
Turn it into action, measure again

6 Insight and action
5 Pick a tool
4 Define metrics
3 Define benchmark
2 Understand the parameters and motivations
1 Define goal

Step 1: Typical goals for CSR

▶ Easy to measure

   ▷ Increase stock price

   ▷ Attract and keep talent

   ▷ Attract and keep customers

▶ Hard to measure

   ▷ Because it's the right thing to do

Step 2: Define the Parameters

► Target audience:
  ‣ Investors
  ‣ Customers
  ‣ Employees
► What keeps them up at night
  ‣ Climate change?
  ‣ Water?
  ‣ Social Justice?
► What will make the change their mind or act?

Step 3: Establish benchmarks

▶ Benchmarks put your results into context

▶ Possible benchmarks

  ▸ A/B Tests

  ▸ Results from different campaigns

  ▸ Peer organizations?

▶ What keeps leadership up at night?

CAUTION!
LOCAL MARKET
BENCHMARKS
NEXT 5 YEARS

Step 4: Pick your Kick-Butt Index

The Perfect KBI

► Is actionable

► Is there when you need it

► Continuously improves your processes & gets you where you want to go

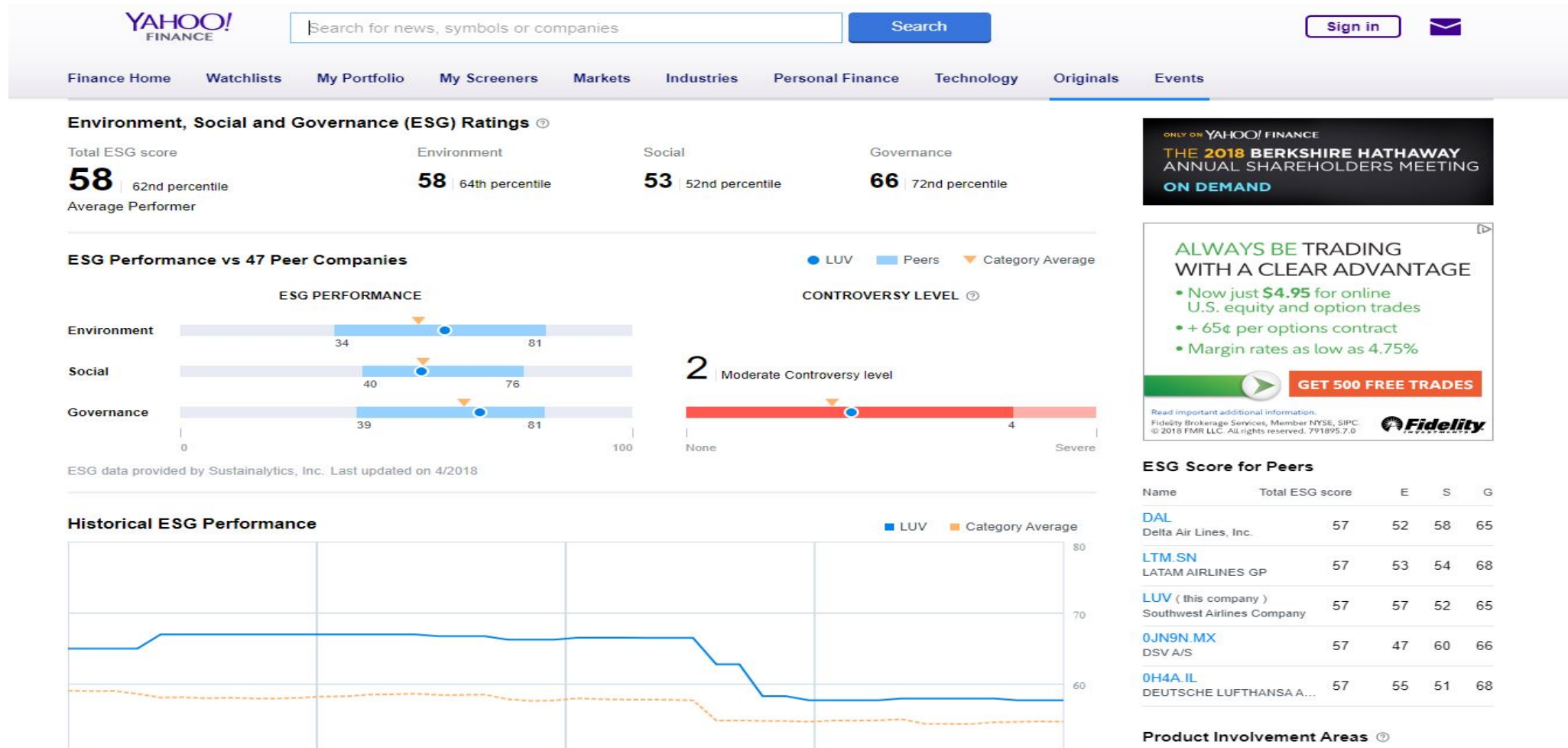► **You become what you measure, so pick your KBI carefully**

Typical CSR KPIs

▶ Exposure

　▷ % share of "sustainable" or "socially responsible" positioning vs the competition in the media

▶ Awareness:

　▷ % increase in awareness of social campaign or action

　▷ % increase in preference and/or consideration post CSR campaign

▶ Action

　▷ % increase in new customers from a CSR-focused campaign vs. a traditional one (after discounting for natural growth, etc.)

　▷ New leads generated through CSR-originated relationships

　▷ Increase in ESG score vs stock price

▶ Cost Savings

　▷ Brand reputation

　▷ Recruitment costs

　▷ Supplier relationships

Good ESG (Environment, Social, Governance) = lower risk of scandal and crisis

Sample CSR Goals and Metrics

Principle	Outcome Measures
Ethics	▪ % of employee population knowing and understanding code of ethics ▪ Increase in scores on ethical audits ▪ % increase in stakeholders perceiving company as ethical ▪ % reduction in ethical violations
Accountability	▪ % increase in stakeholder/investor satisfaction scores on disclosure & responsiveness ▪ % reduction in lawsuits and violations for inadequate disclosure
Governance	▪ % improvement in trust and relationship scores with key stakeholder groups. ▪ % increase in satisfaction scores among stakeholder ▪ % of stakeholder who agree that "This organizatnoi takes the opinion of people like me into account when it makes decisions."
Financial Returns	▪ % increase in Revenue per Employee ▪ % increase in market share ▪ % increase in "buy" recommendations
Employment Practices	▪ % reduction in gap between highest paid and lowest paid employees. ▪ % increase in employee satisfactions scores ▪ % reduction in absenteeism ▪ % ranking on "Employer of Choice" surveys ▪ % reduction in turnover ▪ % increase in ratio of women and minorities in leadership positions ▪ % employees participating in work life balance programs. ▪ % increase in diversity scores compared to industry and local averages. ▪ % reduction in workplace accidents

Sample CSR Goals and Metrics

Principle	Outcome Measures
Business relationships	▪ % reduction in partner/vendor disputes ▪ % of business with female and/or minority owned businesses ▪ % of business conducted with fair trade and B-Corp partners ▪ % of overall budgets set aside for partnerships with coops and non-profits
Products and Services	▪ Percent of new product sales as an indicator of innovation ▪ Percent of customers willing to recommend (NPS) ▪ % increase in retention of existing customers ▪ % reduction in product recalls and returns ▪ % increase in on-time deliveries ▪ % reduction in customer complaints ▪ % of complains closed within target time periods ▪ % reduction in average life-cycle cost of product
Community Involvement	▪ Dollar amount and percentage of profits or income resources donated to improve the quality of life in the community ▪ Net gain/loss in local jobs income business opportunities ▪ Number and % of employees who participate in company sponsored volunteer activities
Environmental Protection	▪ % reduction in waste and emissions ▪ % reduction in expenditures to resolve pollution issues ▪ % increase in amount of materials recycled or diverted ▪ % reduction in number of complaints suits and final judgements for environmental infractions ▪ Increase in number and percentage of facilities certified ISO 14001

Step 5: Pick the right measurement tools

- ▶ Make friends with sales, finance, development and anyone else who has data.

- ▶ If you want to measure messaging, positioning, themes, sentiment: **Content analysis**

- ▶ If you want to measure awareness, perception, relationships, preference: **Survey research**

- ▶ If you want predictions and correlations you need at least two data sources

Step 6: What's the Point? Use Metrics to tell Your Story

▶ Start with the basics

    ▶ What were the objectives?

    ▶ Who's the audience?

▶ Analyze data

    ▶ Rank from worst to best

    ▶ Run correlations

▶ Find your "A-ha!" moment and put everything in context

▶ Add recommendations

Thank You!

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Questions?