



Understanding Social Value: An Overview of the Different Approaches to Measuring Social Impact

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Starting point



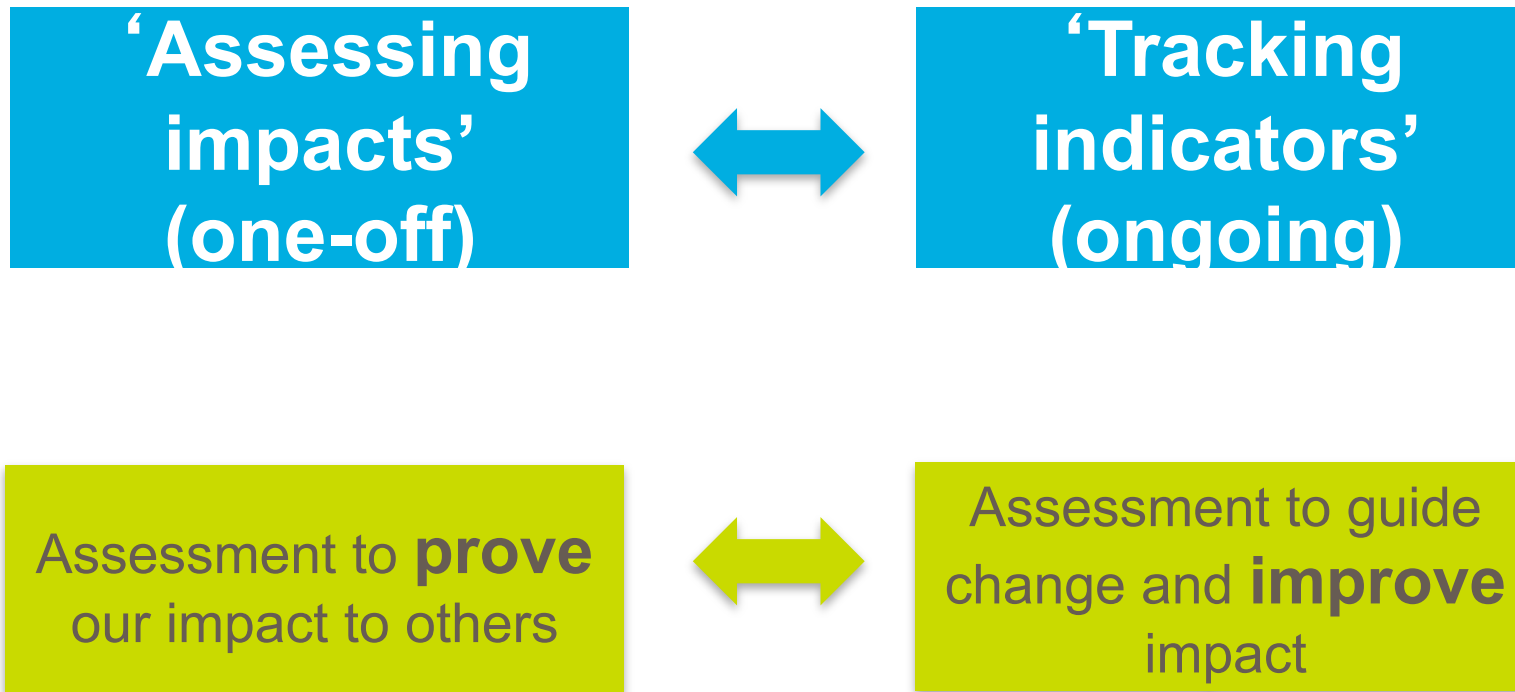
*“If it matters,
measure it”*

*“If you cannot
measure it,
maybe it is not
there”*

*“Why should
our company
track social
impacts?”*

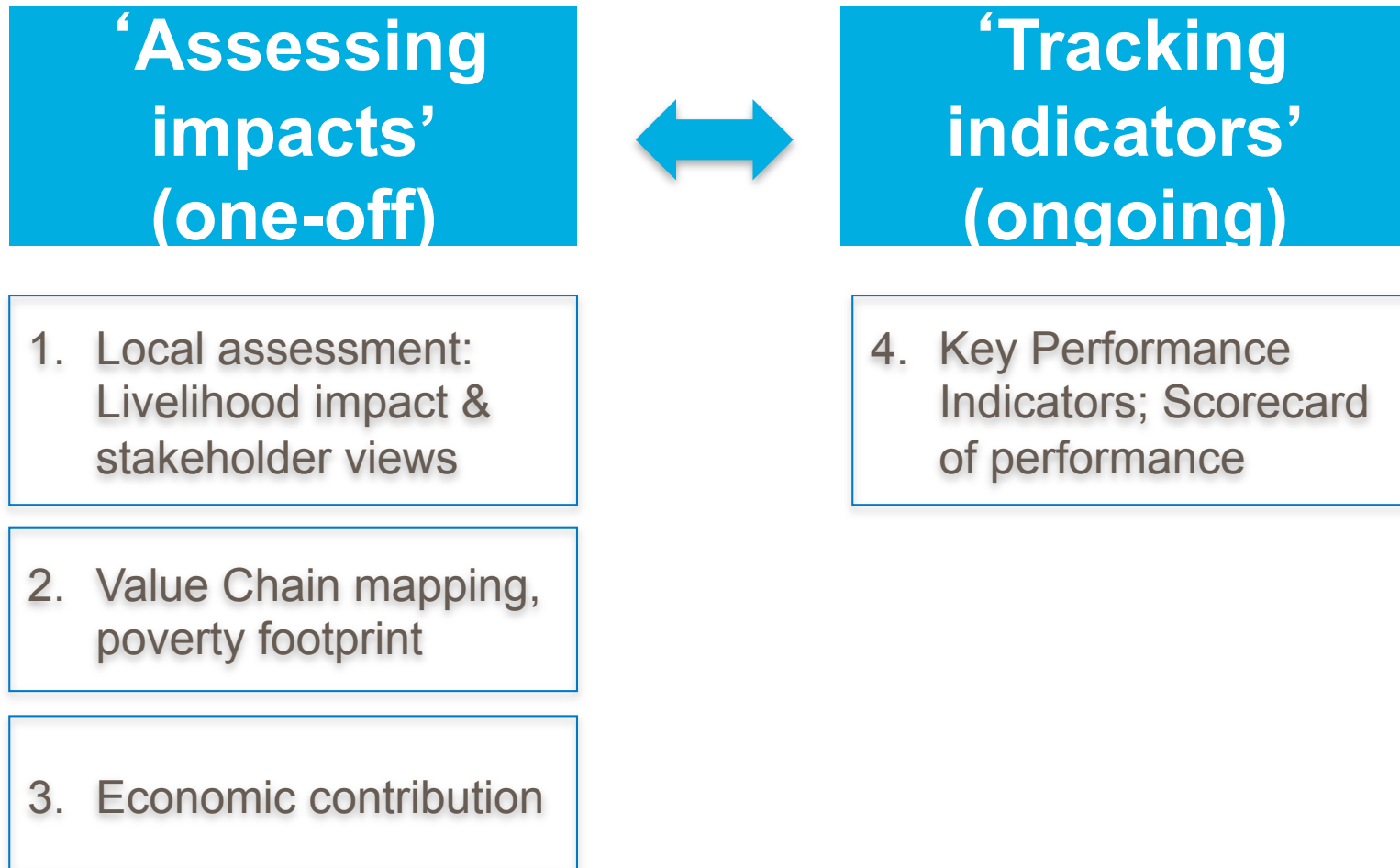
*How should we
assess impact?
“What method?
What output?
What skills?
What partners?”*

Categorisation of approaches





Four approaches





1 - Local livelihood assessment



Purpose: Assess the local level impacts of a project or plant on local communities

What gets measured?
e.g. flows of income, capacity development, changes in livelihoods, stakeholder views, reasons for success or failure





1 - Strengths and Constraints

Purpose	Assess the local level impacts of a project or plant on local communities
Strengths	<ul style="list-style-type: none">- Assesses both financial and social impacts, combining quantitative and qualitative results- Explains "why" as well as "what"- Builds in views from the people 'on the ground'- Can be designed to allow some data aggregation and comparison at a higher level and over time- Not complicated – tools are already available
Constraints	<ul style="list-style-type: none">- Usually weak on aggregation, bench-marking or comparison- Isolated from the wider context- Limited to a specific site- Requires field work on site
Useful for...	<ul style="list-style-type: none">- 'Improving' decisions locally- 'Proving' impact via data and stories



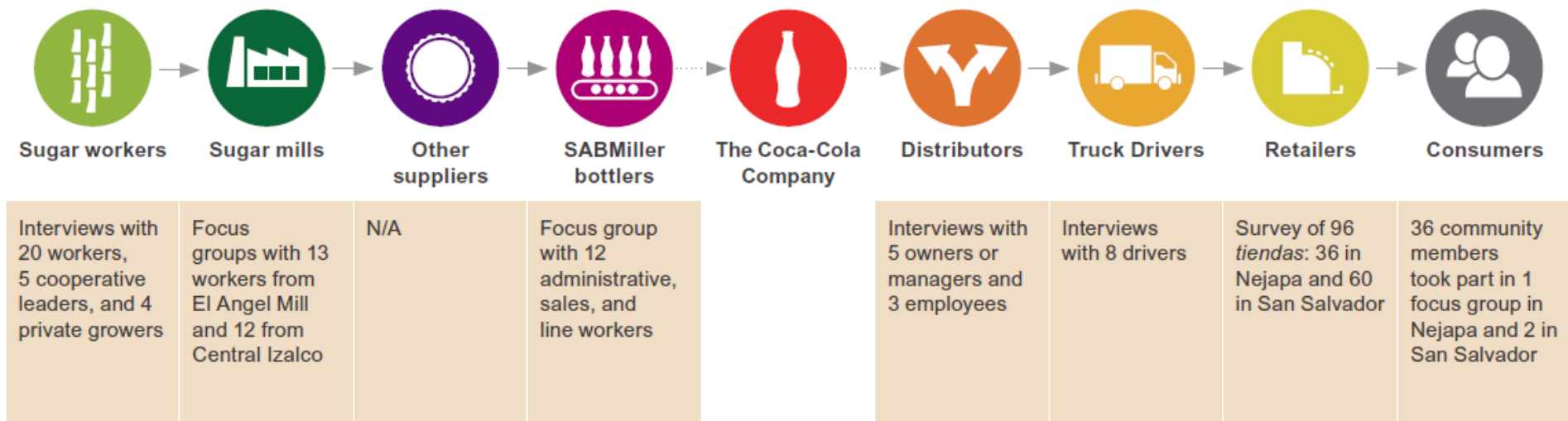
2 - Poverty Footprint/ Value Chain Mapping

Purpose

Identify where a business or sector impinges on on poverty and development, quantify impacts and prioritise action.

What gets measured?

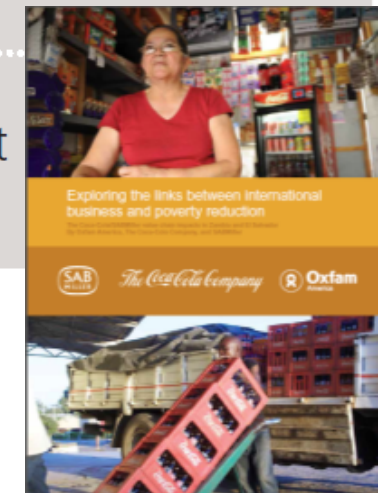
Local, national and corporate information brought together into a 'big picture' covering the entire value chain from material supply to distribution and consumption





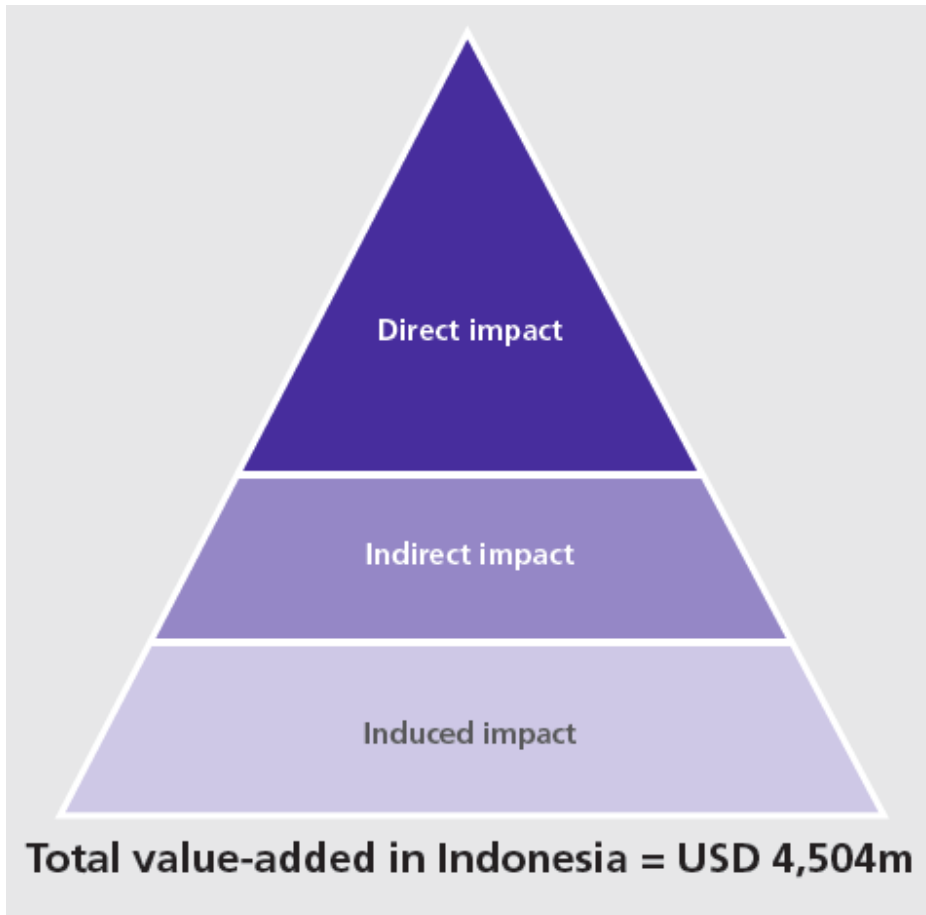
2 - Strengths and Constraints

Purpose	Identify where a business or sector impinges on poverty and development, quantify impacts and prioritise action
Strengths	<ul style="list-style-type: none">- Detailed data and views can be structured into a meaningful 'big picture'- Combines aggregated and disaggregated data, on both financial and social issues- Analyses core business and value chains and relates core business interests to those of the people at the base of the economic pyramid- Usually goes beyond description to identify areas for change and action- Can be repeated to measure change over time
Constraints	<ul style="list-style-type: none">- Ambitious- Requires a lot of information – from stakeholders, suppliers, plus internal corporate information- Requires strong analysis
Useful for...	<ul style="list-style-type: none">- 'Improving' at a local and strategic level- Providing a 'big picture' which demonstrates total impact- Encouraging lateral thinking





3 - Economic Contribution



Purpose:
Identify total contribution to the national economy including multipliers + social impacts

What gets measured?
Economic contribution to GDP. Inter-sectoral & economy-wide impact of production, distribution and retail

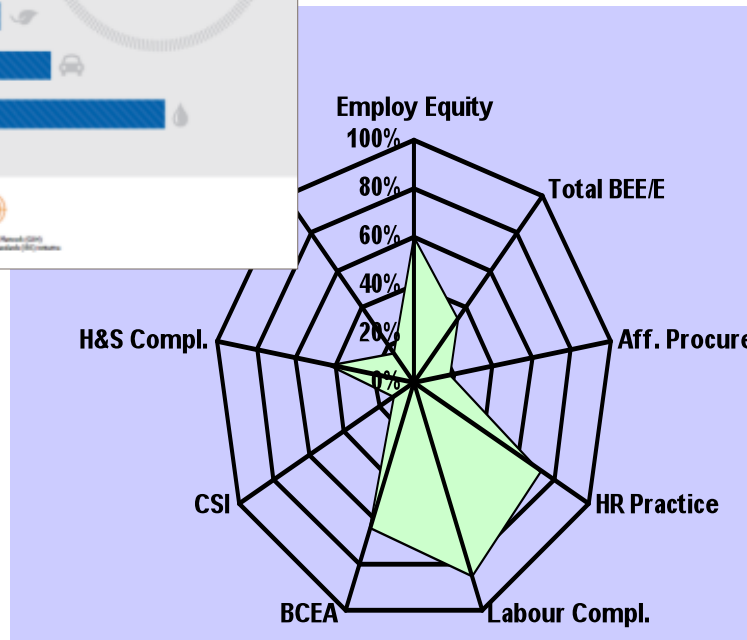


3 - Strengths and Constraints

Purpose	Identify total economic impact including multipliers
Strengths	<ul style="list-style-type: none">- Provides 'hard' (persuasive) data, beyond anecdotes- Provides the 'big picture' in the national context- Encompasses all aspects of business operations- The approach is scaleable and replicable and the findings are comparable
Constraints	<ul style="list-style-type: none">- Provides little information on stakeholder views and other poverty impacts- Describes 'what' rather than explains 'why'- Focuses less on where and how to create change
Useful for...	<ul style="list-style-type: none">- Providing data in a way that is more compelling and relevant to Ministries of Finance- Understanding the 'big picture' impact, as context for more focused action



4 - Tracking indicators



Purpose:
Repeated monitoring of key indicators of socio-economic impact

What gets measured?
A range of key indicators of corporate performance, not necessarily development impact



4 - Strengths and Constraints

Purpose	Repeated monitoring of key indicators of socio-economic impact
Strengths	<ul style="list-style-type: none">- Data is likely to be internalised and used by the company- Identifies change over time, progress or problems- Simplifies complexity into a few key variables such as volume, prices and payments- Easily combines commercial, social and environmental metrics- Data can be used to create information with a more visual impact such as scorecards and/or graphics- Aggregation and comparisons across businesses are possible for some metrics
Constraints	<ul style="list-style-type: none">- Describes 'what' rather than explains 'why'- Reduces complex impacts to a few measures: value depends on the choice of indicator- May rely on partners/suppliers for key social metrics- Risk of using standardised Impact Reporting and Investment Standards (IRIS) indicators to satisfy investors, rather than tailored measures for internal management
Useful for...	<ul style="list-style-type: none">- Tracking achievement of combined social and commercial mission- Informing and improving the management of supply chain and customer base- Reporting to impact investors

Increasing focus on KPIs – experiences from BIF



Company Examples

Drivers for KPI development



Company	Universal
Country	Malawi
Sector	Agriculture

- Operational Performance
- Farmer activity, supply chain sustainability
- Prepare for impact investment



Company	Afrinut
Country	Malawi
Sector	Agriculture

- Achievement of social mission/ investor goals
- Supply chain quantity & quality

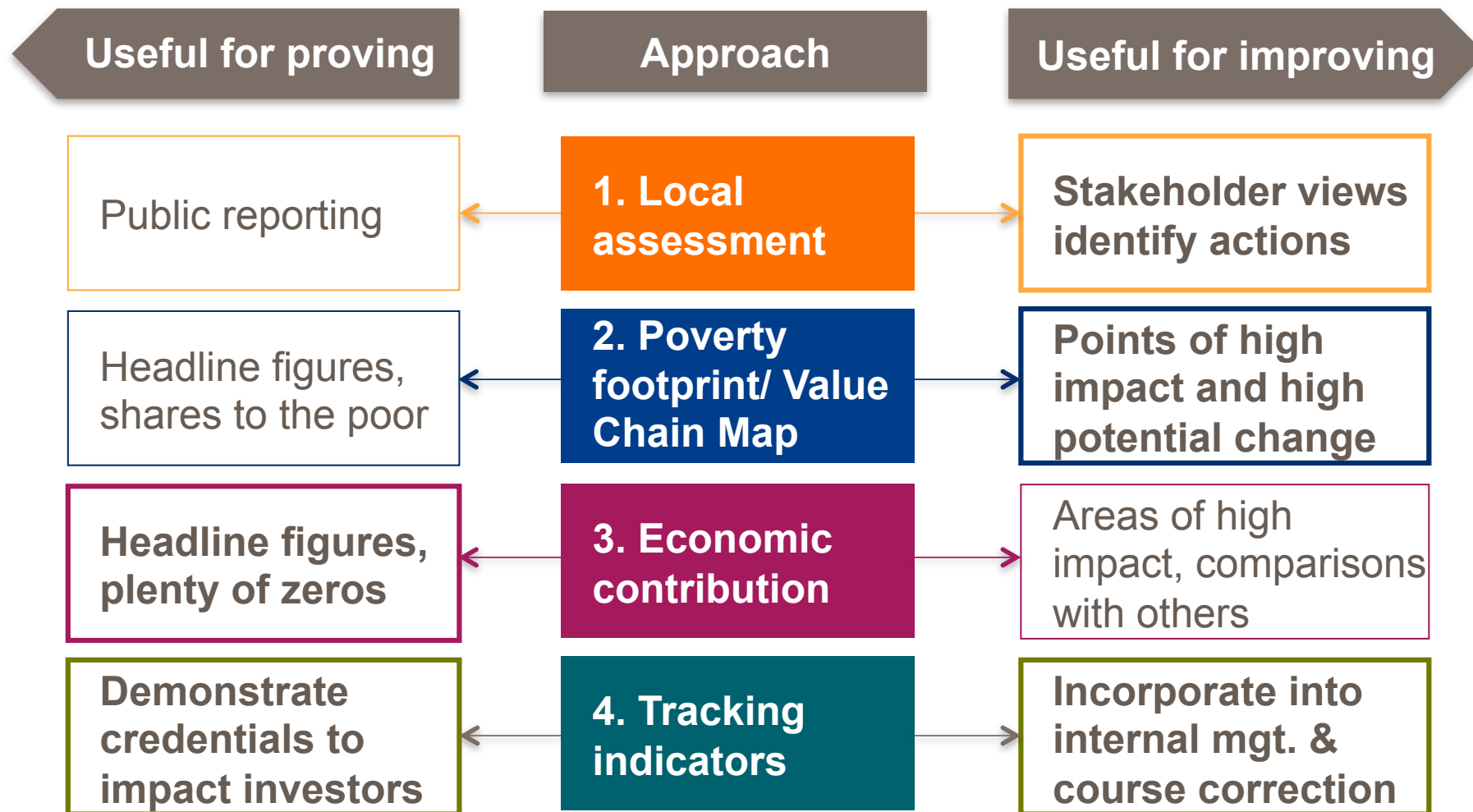


Company	JITA
Country	Bangladesh
Sector	Retail

- Adapt how KPIs incentivise staff
- Prevent targets driving silo working, or over-focus on sales and margins



Making use of results tracking





Uptake of approaches...where next?

1. Social impact assessment

Remains a diverse category, from CSR projects to formalised roll-out in AA. Strong momentum in extractives and ESIAAs.
?? No assurance of quality or usage.

2. Mapping value chains/ poverty footprinting

Well used in agribusiness but only a few others.
?? Company appetite for this - more ambitious, but insightful to drive change.

3. Economic contribution measurement

Growing number of reports, illustrating substantial economic contribution.
?? How are they used internally? Are benchmarks emerging?

4. Reporting against fixed indicators

Take-off of IRIS indicators – standardised metrics. Sustainability reporting thrives as an industry on its own.
?? How useful? How many companies will internalise KPIs that combine social & commercial results and guide delivery?

Thank you



For further information, go to: Practitioner Hub on inclusive business: www.businessinnovationfacility.org

Join the Inclusive Business Impacts Network:
<http://businessinnovationfacility.org/group/inclusive-business-impacts-network>

Read the Framework Paper on Approaches to Assessing Business Impacts on Development (2009)

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