

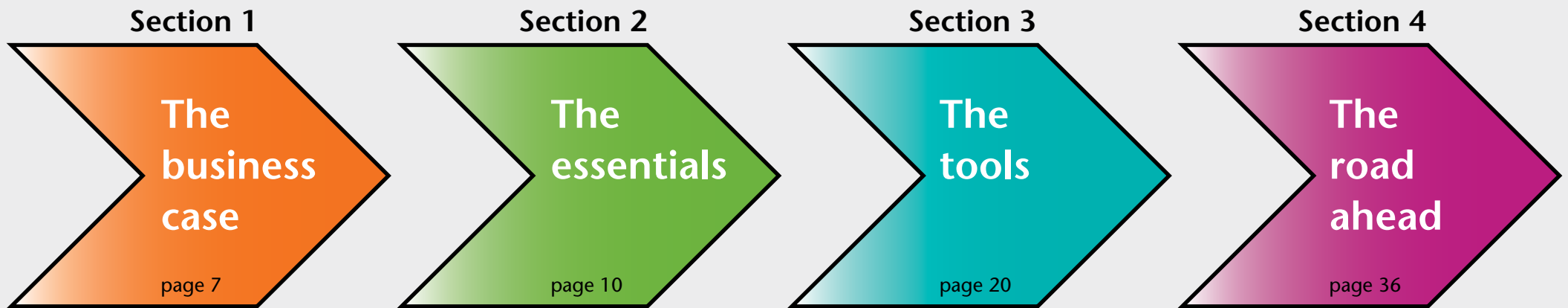
# Measuring socio-economic impact

## A guide for business

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There is urgency in addressing the world's sustainability challenges, including poverty, social unrest, climate change and environmental degradation. Having the technologies, innovation capacity, resources and skills, business has a key role to play in providing the radical solutions the world desperately needs.

Companies around the world are already offering a great array of innovative solutions to tackle key environmental and social challenges – and they are benefiting from doing so. Unfortunately, even all these valuable initiatives combined do not make a dent in the task of putting us on a truly sustainable track.

We are at a tipping point on key planetary boundaries and social challenges and need to radically scale up action to avoid devastating consequences for society and our planet – and ultimately also for companies, as business cannot succeed in societies that fail.

I am a capitalist. A capitalist is someone who puts capital to work, and wants something back – we call it a return on capital. The mistake currently lies in only expecting (and managing) a return on financial capital. Capitalism requires a new operating system, and needs to be re-booted so that we expect and manage the returns on financial, natural, and social capital in a balanced way with a view to future-proofing our economies.

Measuring and reporting on corporate performance are essential components of this transformation. We all know that what gets measured gets managed, and with this guide we want to address an area which has so far been neglected by too many businesses: the measurement and management of their socio-economic impact.

The WBCSD is keen to accelerate business efforts in this domain. Scaling up solutions will not happen without a solid understanding of what works and what doesn't – and having sound measurement systems in place is fundamental to obtaining this insight.

Business as usual is not an option for a future-proofed economy in which nine billion people live well within the limits of the planet by mid-century. This requires redefining measures of success. This guide provides a valuable starting point, and I am eager to galvanize business leaders to change the rules of the game. Let's get to work!



Peter Bakker  
President, WBCSD



Companies are increasingly interested in measuring socio-economic impact as part of maintaining their license to operate, improving the business enabling environment, strengthening their value chains, and fueling product and service innovation.

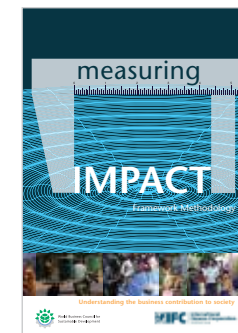
But while more and more tools are being developed to help companies measure socio-economic impact, it can be difficult to compare and choose among them. The tools available today are incredibly diverse. They are based on different assumptions, they offer different functionality, they focus on different types of impact, and they suit different purposes.

This guide is intended to help companies navigate a complex landscape of socio-economic impact measurement tools and identify those that best meet their needs. In the following pages, we aim to:

- Introduce the terminology and basic theory used in this space for a business audience;
- Provide an overview of existing socio-economic impact measurement tools for business needs;
- Identify the benefits and the limits of different tools, and the ways they complement each other;
- Help companies select the right tool or combination of tools for their purposes;
- Empower companies to contribute to further tool development; and
- Accelerate business efforts to measure socio-economic impact.

## The WBCSD's Measuring Impact Framework

The WBCSD released a framework for measuring socio-economic impact in 2008. The Measuring Impact Framework was developed over the course of two years in collaboration with more than 20 member companies that recognized measurement as key to obtaining and maintaining license to operate, improving the quality of stakeholder engagement, managing risk more effectively, and identifying ways to enhance the business contribution to society. The framework, co-branded by the International Finance Corporation, takes the user through a four-step process of identifying, measuring, assessing, and managing a company's development impact. It is grounded in what business does, it moves beyond compliance, and it is flexible, designed to be tailored to meet individual companies' needs. Over the past years, the WBCSD has documented case studies on lessons learned from companies' application of the framework in practice. At the same time, the framework is one of an increasing number available, and companies have chosen to use it on its own or in combination with other tools.



More information at  
[www.wbcsd.org/impact.aspx](http://www.wbcsd.org/impact.aspx)

## WBCSD environmental impact assessment tools

The WBCSD has developed a range of environmental impact assessment tools, most notably the Global Water Tool, the Corporate Ecosystem Service Review, the Guide to Corporate Ecosystem Valuation, and the Greenhouse Gas Protocol. The Council has also published the Water for Business guide to help companies navigate the diversity of tools and initiatives that exist in the water management space alone, and a similar effort is currently taking place around ecosystem and biodiversity tools.

Access all these resources at  
[www.wbcsd.org/publications-and-tools/tools.aspx](http://www.wbcsd.org/publications-and-tools/tools.aspx)



The tools profiled in this guide have been selected based on the following criteria:

- **First, we focus exclusively on socio-economic impact.** Environmental sustainability plays a critical role in socio-economic impact, especially over time. Tools for measuring environmental impact are already relatively well-established. These tools can be used together with the ones profiled here, wherever environmental indicators are linked to socio-economic impact goals.
- **Second, we focus on tools that have been developed for business and that, in the WBCSD’s experience, companies are increasingly interested in.** There are many tools available to help international development organizations, like multilateral and bilateral agencies and civil society groups, measure their socio-economic impacts. While much can usefully be drawn from these tools and adapted for companies, we do not include them here because the effort required for adaptation is significant.

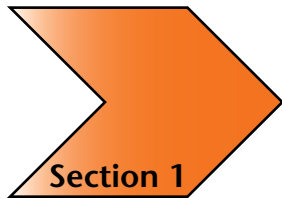
The ten tools profiled in [Section 3](#) of this guide are listed below:

Name of the tool		Value to business
1	Base of the Pyramid Impact Assessment Framework	Understand and measure how your business influences different dimensions of poverty in your customers, local distributors and surrounding communities
2	GEMI Metrics Navigator	Identify environmental and social performance indicators to measure and prioritize issues for management response
3	Impact Measurement Framework	Identify relevant socio-economic indicators to measure impact in four specific sectors: agribusiness, power, financial services, and information and communication technology
4	Impact Reporting and Investment Standards	Select standard indicators to use within your overarching impact measurement framework
5	MDG Scan	Estimate the number of people your company is affecting in ways related to the Millennium Development Goals
6	Measuring Impact Framework	Define the scope of your assessment, identify socio-economic impact indicators for measurement, assess the results, and prioritize issues for management response
7	Poverty Footprint	Understand your company’s impact on poverty, working in collaboration with a development NGO
8	Progress out of Poverty Index	Calculate the percentage of customers, suppliers, and other populations of interest that live below the poverty line
9	Socio-Economic Assessment Toolbox	Measure and manage the local impacts of site level operations
10	Input-Output Modeling	Calculate the total number of jobs supported and economic value added by your company and its supply chain on a particular national economy



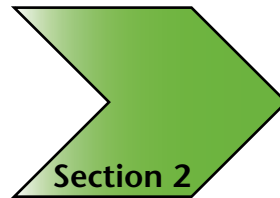
Please note that inclusion of a tool does not signify endorsement. Again, our objective is to help companies gauge for themselves which tool or combination of tools best meets their socio-economic impact measurement needs – thereby enabling and accelerating business action to align profitable business ventures with the needs of society, and contribute to a more sustainable world.

The remainder of this guide is divided into four parts:



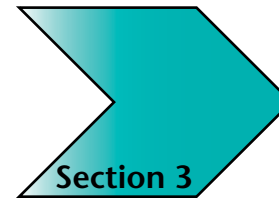
## The business case

Provides an overview of the business case for measuring a company's socio-economic impact.



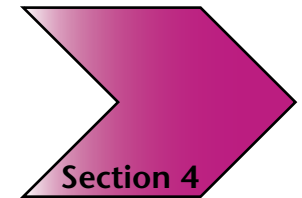
## The essentials

Explains the terminology and basic theory behind measuring socio-economic impact, helping to bridge the gap between the practice's origins in the development community and its application in the business world.



## The tools

Profiles a selection of tools available to companies interested in measuring their socio-economic impacts, with a focus on functionality, fit for purpose, and cost and complexity of implementation. It is important to note that because many of the tools are designed to be flexible, these aspects will ultimately depend on the choices made by the user.

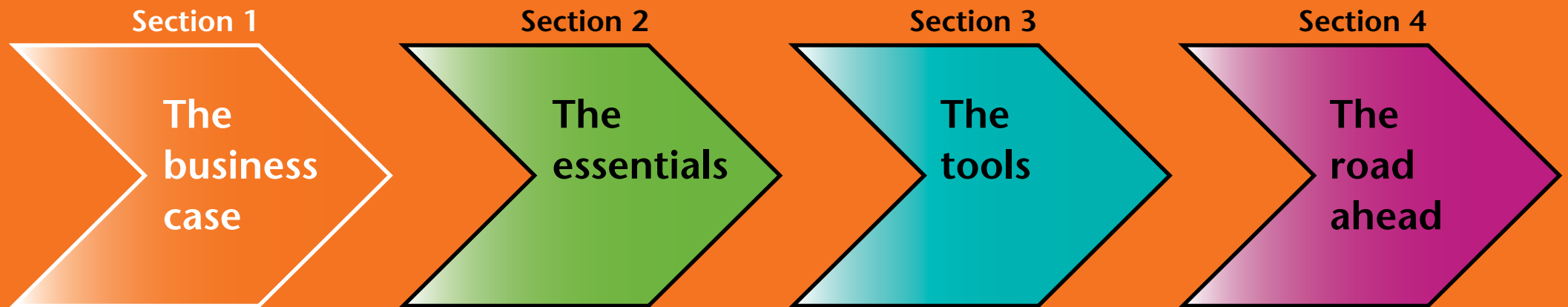


## The road ahead

Reflects on the landscape of available tools and suggests two areas of focus for efforts to advance the practice of socio-economic impact measurement moving forward.

# Section 1:

## The business case





**Business is a major driver of socio-economic impact – and socio-economic impact is a major predictor of business success, especially in the long term.** By creating jobs, training workers, building physical infrastructure, procuring raw materials, transferring technology, paying taxes, and expanding access to products and services ranging from food and healthcare to energy and information technology, companies affect people's assets, capabilities, opportunities, and standards of living – sometimes positively, sometimes negatively. And because these people are companies' employees, customers, suppliers, distributors, retailers, and neighbors, their growth and well-being matters to the bottom line. It influences whether or not companies have happy customers, healthy value chains, contented local communities, and supportive governments and other stakeholders now and into the future.

**As a result, companies are increasingly interested in measuring their socio-economic impact for a variety of reasons, ranging from reducing cost and risk to creating and capturing new opportunities.** These reasons include:

#### » Obtaining or maintaining license to operate

Measuring socio-economic impact can help companies show communities, government authorities, and other stakeholders, like donors and civil society groups, that their activities create net benefits for the economies and societies in which they operate – and mitigate the risk of negative publicity, protest, and declining government support for current and future operations. It can help companies answer questions like:

- Are we fulfilling our commitments and the expectations our stakeholders have of us?
- Is there a gap between our impacts and our stakeholders' perceptions?
- To what extent do our activities create social risk or conflict?
- Where should we invest our corporate responsibility budget?
- Where do we need help from external stakeholders – like governments, donors, and civil society groups?

#### » Improving the business enabling environment

Measuring socio-economic impact can help companies show policymakers what and how they contribute to public policy goals through profitable business activity – helping those policymakers develop the right mix of rules, incentives, and public services needed to maximize the business contribution. It can help companies answer questions like:

- To what extent are our business activities contributing to local, national, or international public policy goals? What negative impacts should we be aware of?
- How are our business activities contributing? What are the critical levers of impact (such as procurement, training, or consumption of our products and services)?
- Are there external constraints on those levers that policymakers could help change?

#### » Strengthening value chains

Measuring socio-economic impact can help companies predict the loyalty, performance, stability, and capacity for growth of suppliers, distributors, and retail partners – identifying vulnerabilities and opportunities to address them. It can help companies answer questions like:

- Are we at risk of side-selling by smallholder farmers?
- Do our suppliers have what it takes to attract other big customers, expand production capacity, and achieve economies of scale?
- Can our retail partners afford to invest in added shelf space and inventory?
- Where do we need help from external stakeholders – like governments, donors, and civil society groups?





➤ **Fueling product and service innovation.**

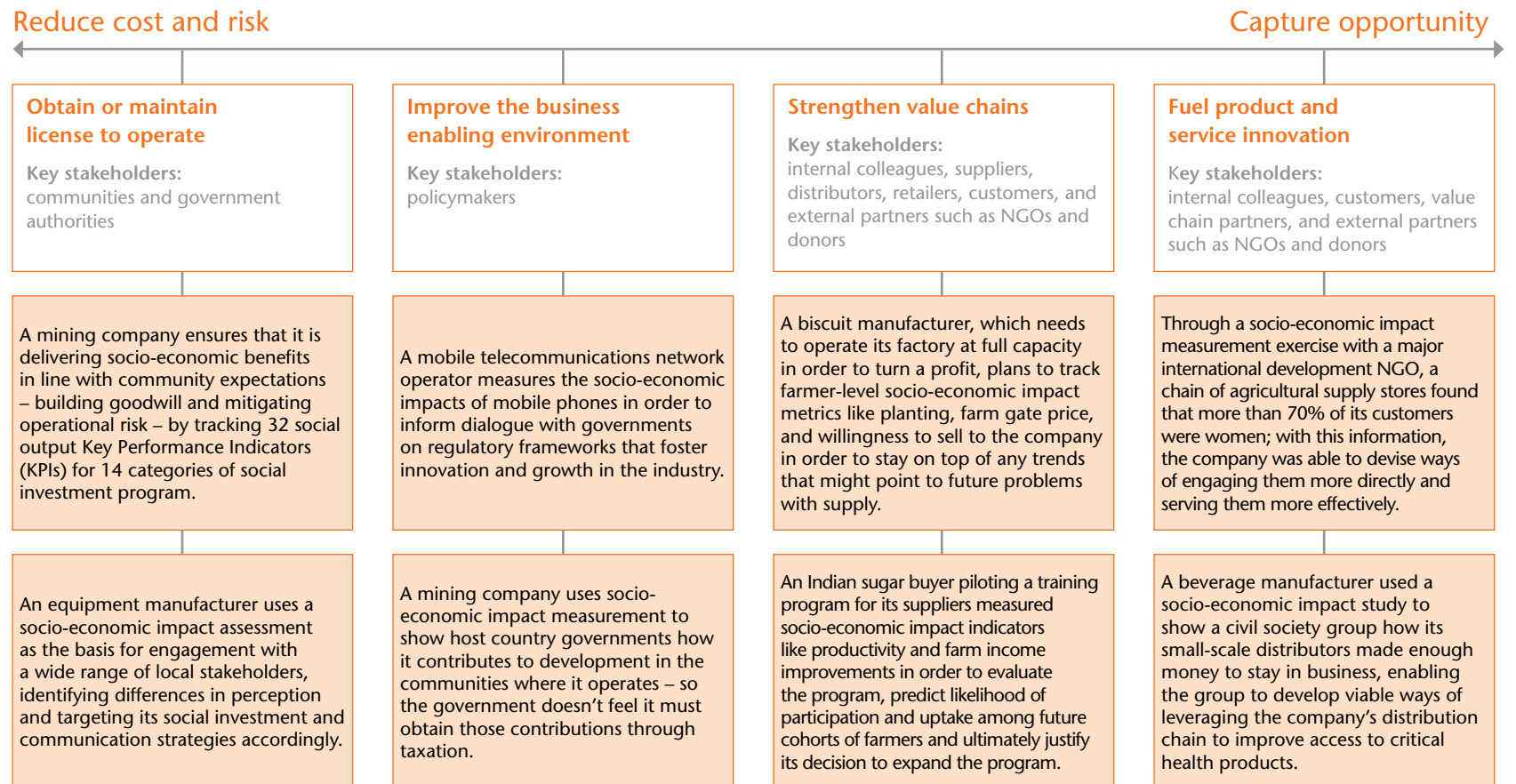
Measuring socio-economic impact can help companies understand the needs, aspirations, resources, and incentives of their customers – enabling them to develop winning new products and services and improve existing offerings. It can help companies answer questions like:

- Why haven't our sales grown as expected?
- What is the best way to segment new "base of the pyramid" markets?

- How can we create demand for a product or service we know would add value?
- Where do we need help from external stakeholders – like governments, donors, and civil society groups?

The figure below illustrates the variety of reasons companies are choosing to measure their socio-economic impact.

Figure 1: Why measure socio economic impact?



# Section 2:

## The essentials





While there are many reasons for companies to measure the socio-economic impact of their activities, doing so is a relatively new phenomenon. Many approaches have roots in the development community, where bilateral and multilateral agencies like the UK Department for International Development (DFID) and United Nations Development Programme (UNDP), international financial institutions like the World Bank, and non-governmental or civil society organizations like CARE have been doing it for many years.<sup>1</sup> Socio-economic impact is what these organizations are in business to achieve.

The development community has its own language and mental models, which are reflected in many of the socio-economic impact measurement frameworks available today – and which can be unfamiliar to corporate users. In addition, because development organizations can be key stakeholders and consumers of companies' socio-economic impact information, it is important to know how they think and what specific impact measurement keywords may mean to them. "Impact" itself, for example, can be a technical term – not always just shorthand for "results."

A quick primer is therefore in order, with five key lessons:

#### Lesson 1

A fundamental first step is to understand how business activities translate into socio-economic impacts

#### Lesson 2

Measurement can happen anywhere along the results chain

#### Lesson 3

In the development community, the gold standard is to reach that last link in the results chain; that last link is what is known as "impact"

#### Lesson 4

Measuring "impact," in the technical sense of the word, is challenging to do

#### Lesson 5

Prioritization and the judicious use of proxies can be key

<sup>1</sup> - For further information on the wide range of tools available, the Donor Committee for Enterprise Development (DCED) provides an overview of donor agency policies and methodologies for results measurement at <http://www.enterprise-development.org/page/rm#agencies> while the Foundation Centre compiles over 150 tools, methods and standards for assessing social impact used by nonprofits, foundations, and other organizations in the TRASI database at <http://trasi.foundationcenter.org/browse.php>.

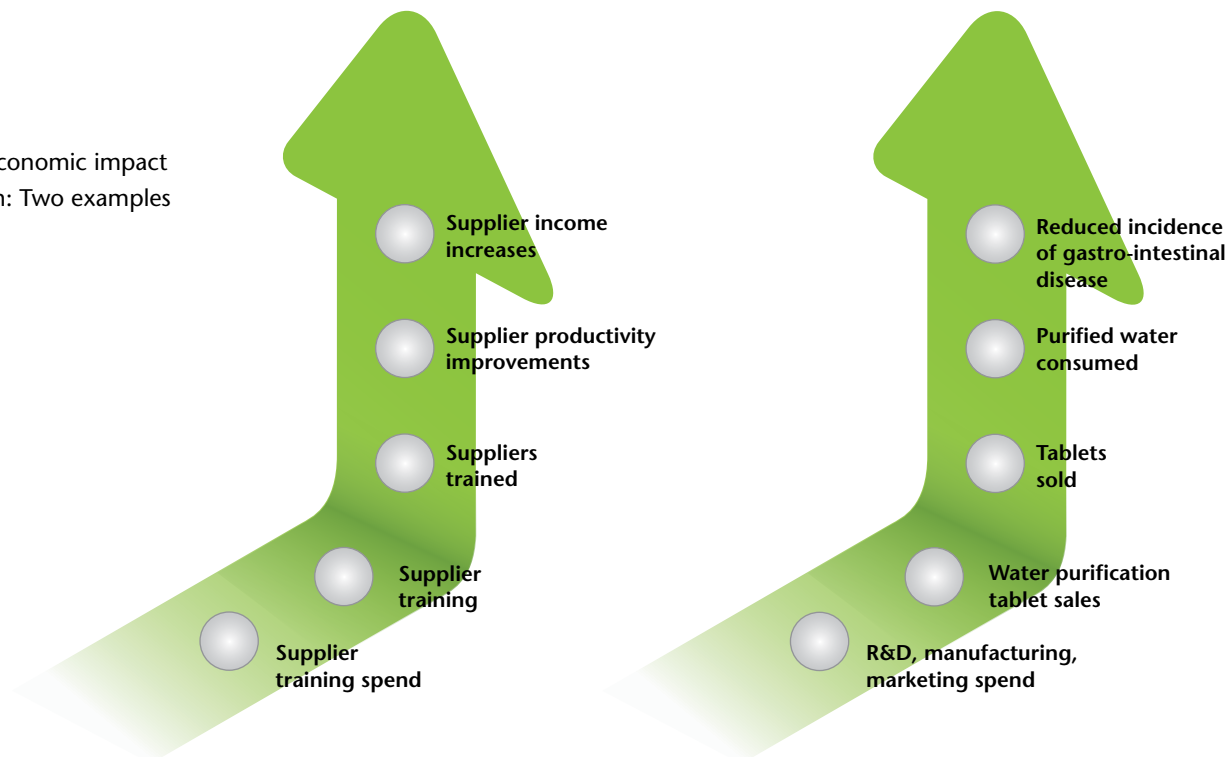


## Lesson 1: A fundamental first step is to understand how business activities translate into socio-economic impacts

This relationship has been called the “results chain,” in rough analogy to the value chain in business. Just as product value grows with every link of the value chain, socio-economic impact deepens with every link of the results chain. This pathway has also been called a “logical framework” or “log frame” and a “route to impact.” In essence, it is a hypothesis about how business activities translate into socio-economic impacts – which can then be tested through measurement. It is often helpful to develop results chains together with stakeholders, including those affected.

Figure 2 provides two hypothetical examples. In the first, a company invests in training its suppliers, which results in a certain number of suppliers trained. The company would then expect those suppliers to experience productivity improvements, which would translate into greater sales and higher incomes. In the second example, a company invests in developing, manufacturing, and marketing water purification tablets, resulting in a certain volume of sales. The company would then expect consumers to drink more purified water, which would help reduce the incidence of water-borne gastrointestinal disease.

Figure 2:  
The socio-economic impact  
results chain: Two examples

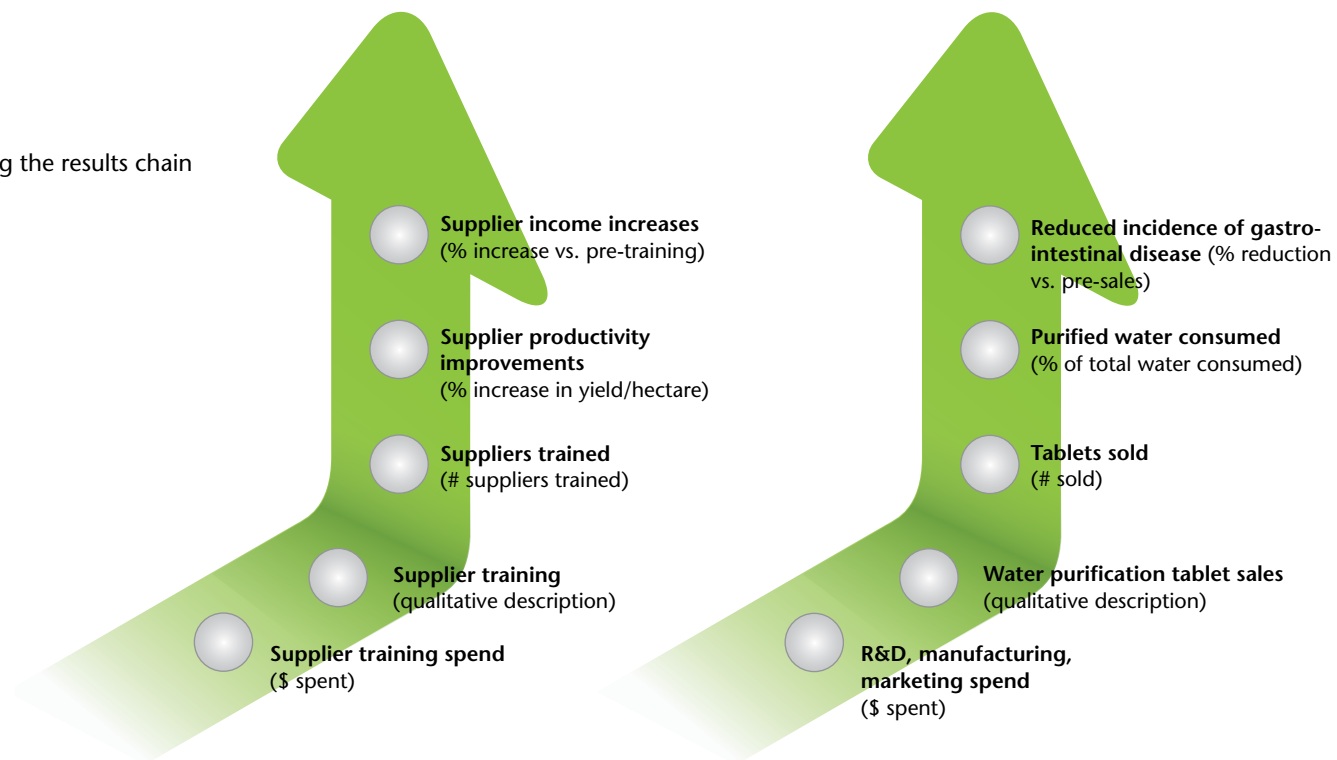




## Lesson 2: Measurement can happen anywhere along the results chain

The results chain is made up of indicators, which can be measured in terms of specific metrics. Figure 3 adds sample metrics to the results chains illustrated in Figure 2.

Figure 3:  
Metrics along the results chain



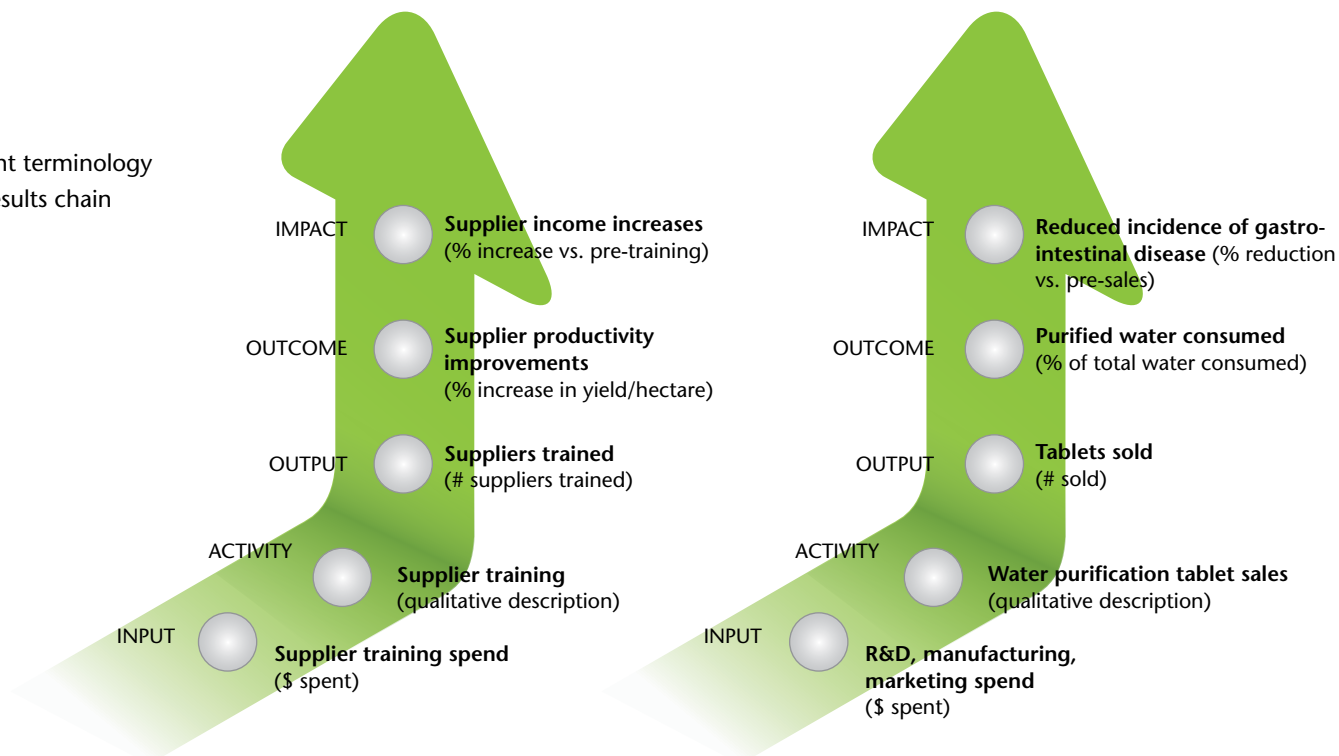


### Lesson 3: In the development community, the gold standard is to reach that last link in the results chain; that last link is what is known as “impact”

Socio-economic “impact,” in the technical sense of the word, is goal-level change in the assets, capabilities, opportunities, and standards of living of people. Increases in educational attainment and income or decreases in hunger and the incidence of disease are examples of “impact.” Socio-economic “impact” can be positive or negative, intended or unintended, temporary or sustainable over time. Positive and sustainable “impact” is to the development community what sustainable profit is to the business community. It is the end goal and ultimate measure of success.

In the development community, the other links in the results chain have names, too. These are illustrated in Figure 4.

Figure 4:  
Development terminology  
along the results chain





## Introducing the terminology

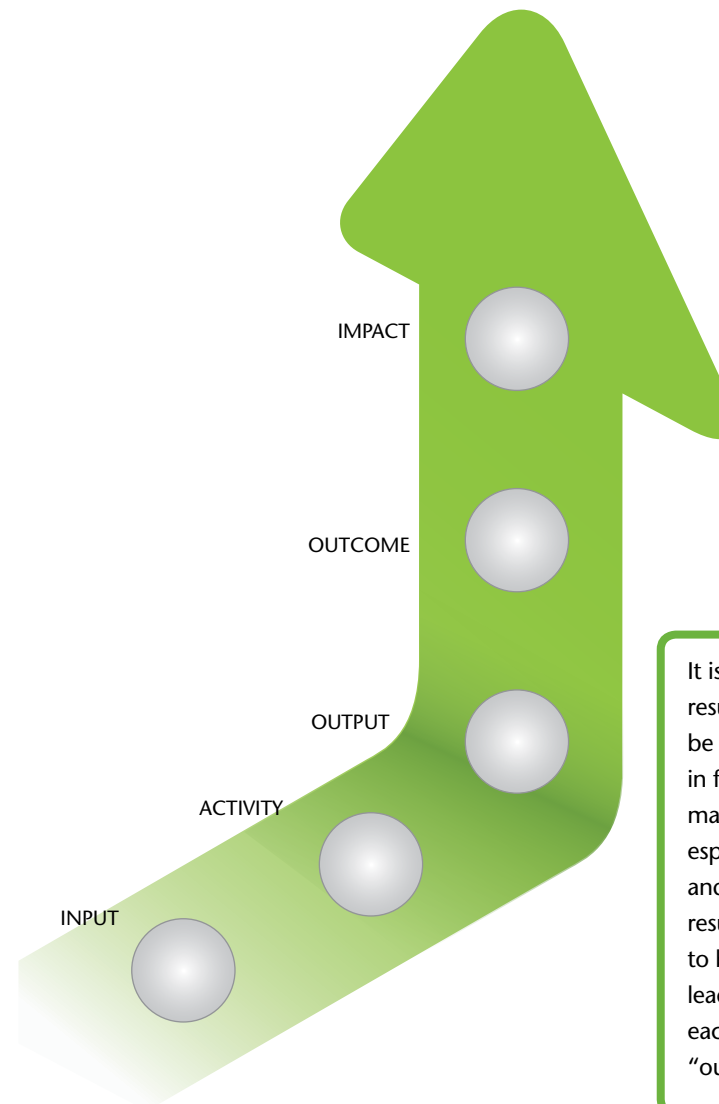
**“Impacts”:** Goal-level changes in the lives of the target population (and even future generations). Common “impact” indicators include changes in educational attainment, health status, and income level.

**“Outcomes”:** Changes in the lives of the target population. Common “outcome” indicators include numbers and percentages of people adopting certain behaviors, obtaining certain opportunities, and having access to certain products and services.

**“Outputs”:** The results of the activity in question. Common “output” indicators include volumes sold and numbers of people reached.

**“Activities”:** The activities whose effects are to be analyzed and measured. “Activity” indicators are usually qualitative, and can range from product or service sales to provision of training to compliance with certain standards and policies.

**“Inputs”:** The resources necessary to carry out an activity. Since most resources are ultimately valued in financial terms, the most common “input” indicator is money spent.



It is important to note that results chains do not have to be mapped and measured in five steps. There may be many more links in the chain, especially between “outputs” and “impacts.” Similarly, results chains do not have to be linear. “Activities” can lead to multiple “outputs,” each leading to multiple “outcomes” and so on.



## Lesson 4: Measuring “impact,” in the technical sense of the word, is challenging to do

There are a number of challenges involved in measuring “impact”-level metrics.

**One challenge is time.** “Impact”-level change can take a long time to materialize. For example, it could take years for consumption of micronutrient-fortified foods to have measurable effects on people’s health. This is a problem for organizations that lack the resources for longitudinal studies.

**A second challenge is influence.** The closer one gets to the end of the results chain, the more external variables come into play. An organization’s activities and achievements are just one set of influences among many others outside its control, as illustrated in Figure 6. These can include public policy, social and cultural trends, environmental conditions, and the activities of other players.

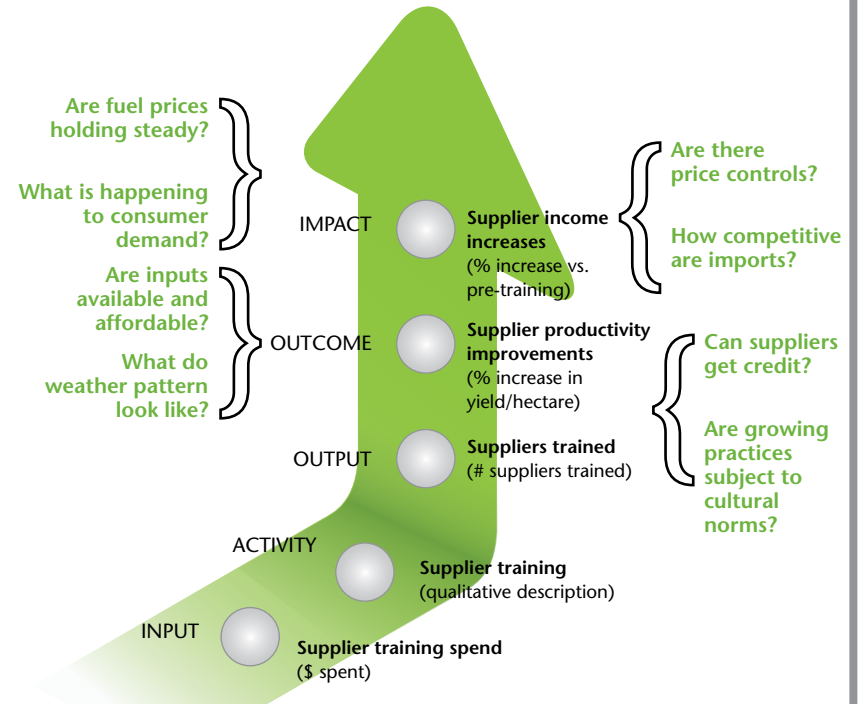
Decreasing influence along the results chain makes it difficult for any one organization to claim responsibility for “impact”-level change. Suppose Figure 5 applies to a food and beverage manufacturer that provides training for growers of agricultural commodities. Perhaps those growers experienced productivity increases because conditions were particularly favorable during the measurement period. Maybe incomes went up because the government decided to raise import duties, increasing demand for local supplies. It is impossible to attribute any particular change – in this example, to the company’s supplier training efforts – without knowing what would have happened in the absence of those efforts. This knowledge is called the *counterfactual*. In the absence of the counterfactual, the best a company can often do is to speak of their contribution to a particular area of impact, in the knowledge that they cannot attribute that impact to their actions alone.

**A third challenge in measuring “impact,” in the technical sense of the word, is a lack of baseline data.** “Impact”-level metrics capture change over

time; before and after measurements both go into the calculation. While some organizations have the opportunity and foresight to capture before, or *baseline*, data – e.g. when launching a new product or procurement or distribution model – many others lack the time or resources or simply do not have socio-economic impact measurement on the radar in the beginning.

Techniques are available to address the challenges of measuring “impact,” except for the fact that it takes time for “impact” to come about. For example, counterfactuals can be established by measuring change in a comparable population or *control group*. Baselines can be reconstructed. However, these techniques can add to the time and cost required to measure, which brings us to the final lesson in our primer.

Figure 5: Decreasing influence along the results chain







## Lesson 5: Prioritization and the judicious use of proxies can be key

Resources are limited, in business and the development community alike. The cost and complexity of measuring must be proportional to the value that measuring helps to create. As a result, prioritization is key.

Companies have wide-ranging socio-economic impacts stemming from consumption of the products and services they offer, policies and practices in their own operations and along the value chain, their infrastructure development investments and tax payments, philanthropic initiatives, and more. It would be fascinating to measure them all, but companies must invest their measurement time and resources in alignment with their strategies to create value. It is important that these include core business strategies. Core business operations are larger-scale and more sustainable drivers of socio-economic impact, whether positive or negative, than philanthropy. Pure philanthropy is out of vogue even within the development community, where “harnessing the core competencies of business” has become a familiar refrain.

The challenge is therefore to find and focus on socio-economic impacts related to business performance. Internal and external stakeholder engagement can help a company identify and prioritize material impacts.

A related challenge is to select those indicators. The cost and complexity of measuring socio-economic impact must be proportional to the value that measuring enables a company to create.

“Impacts,” defined above, are goal-level changes in people’s assets, capabilities, opportunities, and standards of living. “Impacts” are what matter most for society and, from a long-term sustainability perspective, for business. However, they can take years to materialize and are difficult to measure and attribute to any one organization. It may be important to do so, for example for market research, communications, or compliance purposes. At the same time, to manage their performance,

organizations need real-time information that tells them what they can do now to improve.

As a result, many organizations choose to measure “outcomes” and even “outputs” as proxies for “impact.” Cornell University’s Erik Simanis and Mark Milstein provide an example.<sup>2</sup> S.C. Johnson, a leading maker of household products, markets insect repellent lotion and insecticide spray in low-income, rural areas of Ghana. The company hopes its products help reduce the incidence of malaria there (an “impact”), but there are so many other factors in the incidence of the disease that finding out for sure would be costly. Moreover, it would have little bearing on the bottom line. What affects the bottom line is the number of units of product sold (an “output”).

In this case, the company considers the number of units of product sold a good proxy for reduction in the incidence of malaria because the product is scientifically proven to kill mosquitoes, which cause malaria. As long as consumers are buying the products, it is reasonable to assume they are killing mosquitoes (if they were not, consumers would not purchase them again) and thus helping to reduce the incidence of malaria.

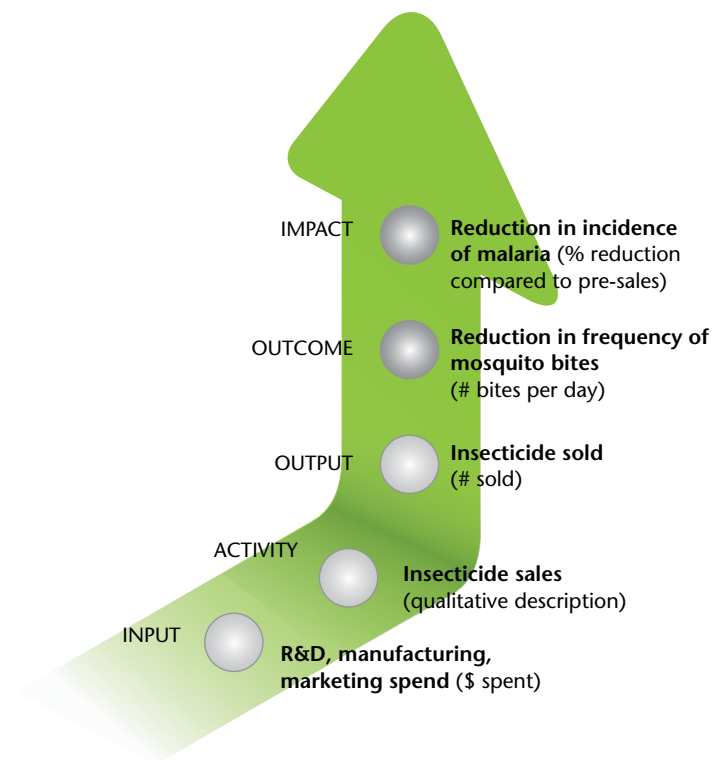
2 - Simanis, Erik and Mark Milstein (2012). “Back to Business Fundamentals: Making “Bottom of the Pyramid” Relevant to Core Business.” Field Action Science Reports Special Issue No. 4, online at <http://factsreports.revues.org/1581> (accessed September 1, 2012). Page 88.



## Lesson 5: ... continued

Organizations must be judicious in their use of proxy indicators. “Outcomes” are stronger proxies for “impacts” because they are one link closer in the results chain, but neither “output” nor “outcome” proxies are guaranteed. Companies can strengthen the case for the use of proxies by engaging stakeholders in the development of their results chains, making sure their logic is sound and that confounding factors have not been overlooked. They can also test their hypotheses using scientific research or small-scale sampling to generate evidence – though not proof – that “outputs” and “outcomes” are leading to the expected “impacts.”

**Figure 6:** “Output” as a proxy for socio-economic “impact”





## Communicating with stakeholders about the socio-economic impact of business

Governments, inter-governmental organizations, civil society groups, social investors, ethical consumers, shareholders, and employees are increasingly interested in business' socio-economic impact. Some are skeptical, and they want proof that companies are at least doing no harm. Some are conscientious, and wish to be associated with organizations which make a positive contribution to society. Others strongly believe that business activities promise larger-scale, more sustainable impact than traditional charitable interventions. These stakeholders want evidence to justify spending taxpayer, donor, and personal resources to work with companies. Whether skeptics or supporters, stakeholders often want very comprehensive information, and they are especially interested in information on "impact," in the technical sense of the word. A common criticism of efforts to measure business' socio-economic impact to date is that they are limited to "inputs," "activities," and "outputs" as opposed to "outcomes" and "impacts." These tips can help companies communicate with stakeholders, both internal and external, about their socio-economic impacts:

- Find out what "impact" means to those you are talking to.
- If your stakeholders use "impact" in the technical sense, be clear about whether the results you have to share are "impacts," or whether they are "outputs" or "outcomes" that proxy for "impact." Know that being able to measure "outcomes" is actually pretty good, even in the development community (the International Finance Corporation, for example, tracks "outcomes").
- Be open about how you decided what to measure, and why. Explain the relationship between your metrics and the types of value your company has set out to create. Help your stakeholders understand your thinking, so they can provide more useful feedback.
- Talk to your stakeholders about how any "outputs" and "outcomes" relate to the "impacts" they care about. Why are they good proxies? Explain your logic and identify the assumptions you've made.
- Present your stakeholders with information that is relevant, credible, and clear. To the extent possible, use well-accepted methodologies and make sure to contextualize your findings, e.g. using trend data and benchmarks. Make sure to acknowledge negative impacts.
- Take advantage of the opportunity to get their feedback. Are your logic and assumptions reasonable? Is this how it really happens, in their experience? Are there any other variables you may have missed? Listen to their perspectives. Let them know what you are taking away from the conversation.
- Recognize that proxies are imperfect measures and aren't guaranteed to deliver impact. Find out what your stakeholders recommend – and what they can do – to help make it more likely that your activities ultimately contribute to the impact you both want.

# Section 3:

## The tools





A growing number of tools are available to help companies measure their socio-economic impacts. “Measuring socio-economic impact” turns out to be a surprisingly broad umbrella, however there is a great deal of variety among tools, including in what they are intended to measure (not all of them capture “impact” in the technical sense of the word, for example). While they are often discussed as a category, these tools do different things and suit some purposes better than others. This can make it difficult for companies to compare and choose among them. This section is intended to help.

This is the list of tools profiled:

Name of the tool		Value to business
1	Base of the Pyramid Impact Assessment Framework	Understand and measure how your business influences different dimensions of poverty in your customers, local distributors and surrounding communities
2	GEMI Metrics Navigator	Identify environmental and social performance indicators to measure, and prioritize issues for management response
3	Impact Measurement Framework	Identify relevant socio-economic indicators to measure impact in four specific sectors: agribusiness, power, financial services, and information and communication technology
4	Impact Reporting and Investment Standards	Select standard indicators to use within your overarching impact measurement framework
5	MDG Scan	Estimate the number of people your company is affecting in ways related to the Millennium Development Goals
6	Measuring Impact Framework	Define the scope of your assessment, identify socio-economic impact indicators for measurement, assess the results, and prioritize issues for management response
7	Poverty Footprint	Understand your company's impact on poverty reduction working in collaboration with a development NGO
8	Progress out of Poverty Index	Calculate the percentage of customers, suppliers, and other populations of interest that live below the poverty line
9	Socio-Economic Assessment Toolbox	Measure and manage the local impacts of site level operations
10	Input-Output Modeling	Calculate the total number of jobs supported and economic value added by your company and its supply chain on a particular national economy



### How to use this guide

The following pages describe ten different socio-economic impact measurement tools that have been developed for business and that, in the WBCSD's experience, companies are increasingly interested in. We provide a short summary of each tool and its developer, and then assess 9 dimensions a company will want to consider in choosing the best tool – or combination of tools – for its needs:

#### 1. Strategic fit

Many socio-economic impact measurement tools are flexible, and can be used in support of company efforts to obtain or maintain license to operate, engage policymakers to improve the business enabling environment, strengthen their value chains, or fuel product and service development to capture new markets and grow revenues – depending on specific design and implementation choices made by the user. Examples include the Base of the Pyramid (BOP) Impact Assessment Framework, the Initiative for Global Development's (IGD) Impact Measurement Framework, the Global Environmental Management Initiative (GEMI) Metrics Navigator, and the WBCSD Measuring Impact Framework. Other tools are more targeted. For example, Anglo American's Socio-Economic Assessment Toolbox (SEAT) has been designed with social license to operate and the business enabling environment in mind, and it can help strengthen value chains to the extent local procurement is part of the business strategy. An important factor in strategic fit is the extent to which a tool generates relevant, credible information for those who need it – whether they be company managers, local community members, governments, or NGOs. This is a function of scope, the specific metrics chosen, the credibility of the measurement process and how quickly it can be carried out, and whether or not negative impacts are included as well as positive ones.

##### Strategic objectives include:

- Secure license to operate
- Improve business enabling environment
- Strengthen value chains
- Fuel product and service innovation

#### 2. Applicable level(s) of analysis:

Most frameworks are designed to be flexible and can be applied at many different levels. For example, the GEMI Metrics Navigator and WBCSD Measuring Impact Framework can be applied at the site, value chain, business line, or company level, depending on the company's needs. However, several frameworks are designed to be applied at specific levels and yield better or more meaningful results at those levels. For example, Anglo American's SEAT is designed for use at the site level and the MDG Scan works best at the company level.

##### Levels of analysis include:

- Site
- Value chain
- Business line
- Company operations at the national level
- Company

#### 3. Guidance included

Frameworks vary in the nature of the guidance they offer. Some are very comprehensive, helping the user to set the scope for a socio-economic impact measurement exercise, select indicators/metrics, gather and/or generate data, and interpret the results. Others are very specific. For example, the Impact Reporting and Investment Standards (IRIS) only helps select indicators/metrics and the Progress out of Poverty Index (PPI) generates a single, albeit important, metric. For this reason, again, combining frameworks can be useful. For instance, a company might use IRIS indicators within the overall process laid out in WBCSD's Measuring Impact Framework.

##### Guidance is available for:

- Setting scope
- Selecting indicators/metrics
- Gathering and/or generating data
- Interpreting results



#### 4. Metrics

Some frameworks are agnostic as to the specific metrics companies should choose, focusing instead on the process of choosing relevant ones (e.g. GEMI Metrics Navigator and WBCSD Measuring Impact Framework). Others propose specific metrics – some at the “input,” “activity,” and “output” end of the spectrum (like IGD and IRIS) and others pushing toward “outcomes” and “impacts” (like the BOP Impact Assessment Framework and the Poverty Footprint). Still other frameworks focus on generating a small number of specific metrics (like the MDG Scan, which estimates the numbers of people reached in the eight Millennium Development Goal areas, and the Progress out of Poverty Index, which calculates the percentage of people below the poverty line).

Types of metrics covered include:

- Input, activity and output metrics
- Outcome and impact metrics
- Flexible – can be tailored to business needs

#### 5. Data requirements

Data requirements vary depending on the metrics in question. As a result, it is impossible to generalize about the data requirements of frameworks that are agnostic about metrics. Frameworks that focus on “input,” “activity,” and “output” metrics tend to rely more heavily on data a company already has or can easily collect. Those that push toward “outcomes” and “impacts” require more external data collection, including from stakeholders on the ground.

Data requirements include:

- Internal company data
- External data collection
- Flexible – can be tailored to business needs

#### 6. Key audiences

Which audiences find socio-economic impact measurement relevant depends on the type of information it generates and nature of the process (including whether or not it is credible in their eyes). Companies should make sure that the audiences for their socio-economic impact measurement work align with the strategic fit they are hoping to achieve. For example, a company measuring to support efforts to improve the business enabling environment must make sure the data is relevant and credible to government policymakers.

Target audiences include:

- Company managers
- Civil society groups
- Donors
- Impact investors
- Governments

#### 7. Level of effort

Frameworks vary in the level of effort required to implement. They involve different sets of tasks and have different cost and time implications. While available cost and time data are patchy, factors include the scope of the exercise and specific metrics selected; the extent to which external data must be collected from stakeholders on the ground; the level of stakeholder engagement conducted; whether or not a public report must be prepared; the cost of third party services; and company staff time required. There is a need to build the knowledge base on the level of effort involved in implementing these as user experience grows. It should be stressed that it is not appropriate to compare these frameworks on the basis of level of effort alone, since they offer different value in return.

The level of effort can vary by:

- Tasks required
- Cost
- Time required



### 8. Developer services

While socio-economic impact measurement frameworks offer guidance in and of themselves, many developers offer services that expand or deepen the guidance available. They may also offer to implement their frameworks on behalf of or in collaboration with companies, and to write public reports on the results.

### 9. Usage to date

Some frameworks are brand-new (like the IGD Impact Measurement Framework). Others have been used tens or even hundreds of times (like SEAT and IRIS).

For each framework, a case study and hyperlink for more information are also provided.

## What is not covered in this guide

“Measuring socio-economic impact” turns out to be a surprisingly broad umbrella, and there is a great deal of variety among the resources profiled in this Guide. We are aware that not all impact-related tools are included here, most notably the following tools, which are already well established with published guidance:

### Environmental and Social Impact Assessments (EIAs and ESIA)

EIAs and ESIA are intended to help companies anticipate the environmental and social impacts of proposed projects, so they can be mitigated or enhanced. While some EIA and ESIA tools are designed to be used before, during, and after projects take place, such assessments are most often conducted before – which can be required by government and some investors. The practice of environmental and social impact assessment is well-established, with EIA dating back to the 1960s.

### Human Rights Impact Assessments (HRIAs)

Just as EIAs and ESIA are intended to help companies anticipate the environmental and social impacts of proposed projects so they can be mitigated or enhanced, HRIAs are intended to help companies anticipate their impacts on stakeholders’ human rights, so they can be mitigated or enhanced. While not yet required by law or most investors, HRIAs reflect an emerging global norm that companies have a responsibility to respect human rights within their spheres of influence. HRIAs have been described as “the younger sibling of the environmental and social impact assessments.”<sup>3</sup> Nevertheless, numerous tools and resources exist, to which a comprehensive guide was published in 2009.

### Impact Reporting Tools

Impact reporting tools, most notably the Global Reporting Initiative’s G3.1 Guidelines, are intended to help companies identify and present material impact information to a range of stakeholders. A distinct process and set of tools would be required to obtain or generate that impact information.

3 - Aim for Human Rights. 2009. “Guide to Corporate Human Rights Impact Assessment Tools.” Online at [http://www.humanrightsimpact.org/fileadmin/hria\\_resources/Business\\_centre/HRB\\_Booklet\\_2009.pdf](http://www.humanrightsimpact.org/fileadmin/hria_resources/Business_centre/HRB_Booklet_2009.pdf) (accessed November 4, 2012).



Tools		Strategic fit				Applicable level(s) of analysis					Guidance included				Metrics			Data requirements			Developer services	
		Secure license to operate	Improve business enabling environment	Strengthen value chains	Fuel product and service innovation	Site	Value chain	Business line	Company operations at the national level	Company	Setting scope	Selecting indicators/metrics	Gathering and/or generating data	Interpreting results	Input, activity and output	Outcome and impact	Flexible	Internal company data	External data collection	Flexible	Yes	No
1	Base of the Pyramid Impact Assessment Framework																					
2	GEMI Metrics Navigator																					
3	Impact Measurement Framework																					
4	Impact Reporting and Investment Standards (IRIS)																					
5	MDG Scan																					
6	Measuring Impact Framework																					
7	Poverty Footprint																					
8	Progress out of Poverty Index (PPI)																					
9	Socio-Economic Assessment Toolbox (SEAT)																					
10	Input-output modelling																					

addressed by this tool

not addressed by this tool, but may be addressed through developer services

## Tool 1: Base of the Pyramid Impact Assessment Framework

Summary				
<p><b>Analytical framework for the identification and measurement of business “outcomes” and “impacts” on a company’s customers, local distributors, and surrounding communities; can be applied qualitatively to gain a high-level understanding of impacts or quantitatively to assess performance.</b></p>				
Developer				
Prof. Ted London, William Davidson Institute, University of Michigan, USA.				
Strategic fit <i>(Framework is flexible; strategic fit will depend on specific design and implementation choices made by the user)</i>				
Secure licence to operate	Improve business enabling environment	Strengthen value chains	Fuel product and service innovation	
Applicable level(s) of analysis				
Site	Value chain	Business line	Company operations at the national level	Company
Guidance included				
Setting scope	Selecting indicators /metrics	Gathering and/or generating data	Interpreting results	
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<p><input checked="" type="checkbox"/> addressed by this tool      <input type="checkbox"/> not addressed by this tool, but may be addressed through developer services</p>				
Metrics	Almost all “outcome” and “impact” metrics. Framework includes a 3x3 matrix of possible indicators capturing impacts in three areas (economic well-being, capabilities, and relationships) for three stakeholder groups (customers, local distributors, and surrounding communities).			
Data requirements	External data collection required. Because suggested indicators are mostly “outcomes” and “impacts,” which capture change, both before and after rounds of data collection from affected stakeholders are required. Collection of control group data, to help establish attribution of “outcomes” and “impacts” to the company, is advised.			
Target audiences	Company managers; civil society groups, donors, and social or “impact” investors will also be interested, because data generated goes to the “impact” level and includes both positive and negative impacts (implementation by the developer – a reputable academic institution – could also enhance credibility).			
Level of effort	<p><b>Tasks:</b> Set scope and objectives; develop a qualitative understanding of impacts; select the most relevant metrics; select suitable data-gathering techniques; develop appropriate data-gathering tools; gather the data; and interpret results. Stakeholder engagement throughout the process is advised.</p> <p><b>Cost:</b> Framework is freely and publicly available; implementation cost could vary widely depending on the scope and objectives set by the user, specific indicators and metrics chosen, level of stakeholder engagement conducted, and developer and/or third party support services needed.</p> <p><b>Time:</b> 2-4 months to develop a qualitative understanding of impacts, including stakeholder engagement; up to 21 additional months to quantify impacts given the need to let time elapse between before and after data collection.</p>			
Developer services available	Workshops which leave the participant with an action plan to take forward (approximately US\$1,000 for 2.5 days); comprehensive implementation services, including interpreting results and guiding management response.			
Usage to date	Implemented about a dozen times by the developer; developer does not track the number of organizations that have implemented the framework on their own.			
Case study	Digital Divide Data (DDD) creates jobs and develops talent in the business process outsourcing industry through a model it calls Impact Sourcing: hiring youth, providing them with support for post-secondary education, and graduating them to better paying jobs within or outside the company when they complete their studies. DDD worked with the William Davidson Institute to develop a process to measure its impact on its employees in order to deepen that impact going forward and to share with funders and clients. Starting from a set of 10 impact objectives, they developed a survey tool used to assess employees and alumni of the work/study program every year. Each year, an independent group surveys trainees before they come to DDD, program participants at DDD, and graduates of DDD’s program. This data is analyzed in comparison with a control group drawn from national census data. DDD first implemented the refined survey with additional impact metrics in its Cambodian offices, then in Laos, and finally in Kenya. DDD has found that employees who graduate from post-secondary school earn an average of \$304 per month, more than four times what local high school graduates earn. In addition, quality of life improves significantly. Questions from Grameen’s Progress out of Poverty Index, incorporated into the survey, revealed that DDD graduates have improved access to water, sanitation and better quality housing. Since it began to measure, DDD has doubled its earned income from clients and broadened donor support to expand its program to Kenya from 600 to more than 1,000 employees.			



## Tool 2: GEMI Metrics Navigator

### Summary

**A framework and guidelines, including worksheets, for the identification, measurement, assessment, and prioritization of environmental and socio-economic impacts for management response.**

### Developer

The Global Environmental Management Initiative (GEMI) is a global leader in developing insights and creating environmental sustainability solutions for business. Since 1990, GEMI has captured the vision and experience of global corporate environmental, health and safety (EHS) and sustainability leaders from diverse business sectors through the development of a wide range of more than 30 publicly-available, solutions-based tools designed to help companies improve the environment, their operations and add business value.

**Strategic fit** *(Framework is very flexible; strategic fit will depend on specific design and implementation choices made by the user)*

Secure licence to operate	Improve business enabling environment	Strengthen value chains	Fuel product and service innovation
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### Applicable level(s) of analysis

Site	Value chain	Business line	Company operations at the national level	Company
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### Guidance included

Setting scope	Selecting indicators /metrics	Gathering and/or generating data	Interpreting results
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addressed by this tool       not addressed by this tool, but may be addressed through developer services

<b>Metrics</b>	Framework is agnostic as to specific metrics, putting emphasis on understanding the appropriateness and effectiveness of any metrics chosen.
<b>Data requirements</b>	Dependent on specific metrics chosen.
<b>Target audiences</b>	Company managers; other external audiences depending on specific metrics and implementation techniques chosen.

### Level of effort

**Tasks:** Set objectives; select the appropriate level(s) of analysis; research and select the most relevant indicators and metrics; select suitable data-gathering techniques; develop appropriate data-gathering tools (if applicable); interpret results. Stakeholder engagement throughout the process is advised.

**Cost:** Framework is freely and publicly available; implementation cost will vary widely according to the scope and objectives set by the user, specific indicators and metrics chosen, level of stakeholder engagement conducted, and third-party support services needed.

**Time:** Will vary according to scope, metrics chosen, and level of stakeholder engagement conducted.

### Developer services available

None.

### Usage to date

Developer does not actively track usage; the framework is downloaded approximately 200 times per month and there have been more than a half dozen known implementations.

### Case study

None available.



<http://www.gemi.org/metricsnavigator>

## Tool 3: Impact Measurement Framework

Summary				
Sector-specific frameworks identifying relevant socio-economic impacts, indicators, and metrics for each of four strategic business drivers: achieving growth; achieving operational efficiency and increased productivity through the value chain; responsible business; and enhancing the operating environment. Frameworks are available for agribusiness, power, financial services and information and communication technology.				
Developer				
The Initiative for Global Development (IGD), an organization that engages corporate leaders in reducing global poverty through strategic, successful business investment. IGD has 64 member companies and is advised by a Leadership Council co-chaired by former United States Secretaries of State Madeleine Albright and Colin Powell.				
Strategic fit				
Secure licence to operate	Improve business enabling environment	Strengthen value chains	Fuel product and service innovation	
Applicable level(s) of analysis				
Site	Value chain	Business line	Company operations at the national level	Company
Guidance included				
Setting scope	Selecting indicators /metrics	Gathering and/or generating data	Interpreting results	
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<input type="checkbox"/> addressed by this tool <input type="checkbox"/> not addressed by this tool, but may be addressed through developer services				
Metrics	Mostly "input," "activity," "output," and some "outcome" and "impact" metrics. Developer provides more outcome and impact metrics as part of detailed company specific reviews.			
Data requirements	Mostly internal data; some external data collection may be required for "outcome" indicators.			
Key audiences	Company managers; the information generated may also provide a useful basis for dialogue with external stakeholders though some – e.g. donors and civil society groups – may want more "outcome" and "impact"-level information, which the developer intends to add to the framework in the future.			

Level of effort	<p><b>Tasks:</b> For the four industry sectors covered, set objectives, select the appropriate level(s) of analysis, tailor indicators and metrics to industry sub-sectors as needed, develop internal company data collection systems if required; and interpret the results. For other industry sectors, research to identify relevant indicators and metrics will also be required.</p> <p><b>Cost:</b> Framework is freely and publicly available; implementation cost likely to consist primarily of staff time. Limited external data collection costs.</p> <p><b>Time:</b> 2-3 weeks for initial, high-level strategic analysis; up to 18 months for full implementation including internal capacity development.</p>
Developer services available	Tailoring the framework to specific users, including customizing selection of indicators; gathering data; interpreting results; guiding management response; and developing public reports. IGD also offers internal impact measurement capacity-building and integration of socio-economic impact measurement into existing measurement systems.
Usage to date	Framework is brand-new as of Fall 2012; five pilot implementations have been conducted to date. IDG is working with a number of companies on an ongoing basis.
Case study	Based in Zimbabwe, AICO Africa Limited is a diversified agro-industrial company that engages in seed production and cotton processing through its subsidiaries Seed Co and Cottco. Cottco is the largest cotton processor and marketer in Sub-Saharan Africa. AICO's strategy focuses on smallholder farmers, who perform the bulk of agricultural production in Africa. In 2012, AICO used the IGD Impact Measurement Framework to begin to assess its impact on those smallholders, who are critical customers for its seeds and suppliers of its cotton. For example, smallholders growing Seed Co maize in Malawi produced twice as much in 2010 as they had in previous years, a good predictor of increased demand, expansion of production and subsequent profits. By 2012 sales had increased by 22%. At the same time, cotton growers in Zimbabwe that took advantage of Cottco's Inputs Credit Scheme and agronomy training were able to sell their crop back to the company at \$0.90 per kilogram, well above the 10-year average price of \$0.30 – a reflection of higher quality which also benefits the company as it sells the lint product in international markets. For more information, see weblink below.



[http://igdleaders.org/documents/IGD\\_MeasuringImpact.pdf](http://igdleaders.org/documents/IGD_MeasuringImpact.pdf)

## Tool 4: Impact Reporting and Investment Standards (IRIS)

<b>Summary</b>				
Generic and sector-specific libraries of socio-economic “activity” and “output” indicators and metrics, with standard definitions.				
<b>Developer</b>				
The Rockefeller Foundation; Acumen Fund, a non-profit venture fund that invests in businesses working to address global poverty; and B-Lab, a non-profit that builds market infrastructure intended to support such businesses. These founding partners have been supported by Deloitte and PricewaterhouseCoopers.				
<b>Strategic fit</b>				
Secure licence to operate	Improve business enabling environment	Strengthen value chains	Fuel product and service innovation	
<b>Applicable level(s) of analysis</b>				
Site	Value chain	Business line	Company operations at the national level	Company
<b>Guidance included</b>				
Setting scope	Selecting indicators /metrics	Gathering and/or generating data	Interpreting results	
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<input type="checkbox"/> addressed by this tool <input type="checkbox"/> not addressed by this tool, but may be addressed through developer services				
<b>Metrics</b>	Almost all “activity” and “output” metrics. Framework consists of a library of possible indicators with standard definitions in 5 categories: organization description, product description, financial performance, operational impact, and product impact. General, cross-sector indicators and industry sector-specific indicators are included for agriculture, education, energy, financial services, health, housing/community facilities, and water. A glossary of terms used in the indicator definitions is also included.			
<b>Data requirements</b>	Internal company data.			
<b>Key audiences</b>	Company managers; external stakeholders will also be interested, but while the framework has been developed by credible impact-oriented organizations, “activity” and “output” indicators may not go deep enough for some.			
<b>Level of effort</b>	<b>Tasks:</b> IRIS is a menu of standard indicators and must be used in the context of a comprehensive socio-economic impact measurement process, with all of its attendant tasks. <b>Cost:</b> Framework is freely and publicly available; implementation cost will depend on the impact measurement process within which IRIS indicators are used. <b>Time:</b> Time will depend on the impact measurement process within which IRIS indicators are used.			
<b>Developer services available</b>	None.			
<b>Usage to date</b>	At least 2,394 organizations, including 1,931 microfinance institutions and 463 other “mission-driven” enterprises; framework developer does not actively track usage.			
<b>Case study</b>	Fictional sample reports available at <a href="http://iris.thegiin.org/sample-reports">http://iris.thegiin.org/sample-reports</a>			



## Tool 5: MDG Scan

### Summary

An online tool that uses company-provided “output” data and publicly-available country and industry sector data to estimate the numbers of people positively affected by a company for each of 8 Millennium Development Goal (MDG) areas. The MDGs are targets laid out by the United Nations for the international community to achieve by 2015.

### Developer

The Dutch National Committee for International Cooperation and Sustainable Development (NCDO), an arm of the Dutch Department of Development Cooperation that works to inspire and help the Dutch private sector to develop sustainable development in developing countries, and Sustainalytics, an independent sustainability research provider for the financial industry.

**Strategic fit** (Model works best for companies with more than 30 local employees and local turnover over US\$3 million)

Secure licence to operate

Improve business enabling environment

Strengthen value chains

Fuel product and service innovation

### Applicable level(s) of analysis

Site

Value chain

Business line

Company operations at the national level

Company

### Guidance included

Setting scope

Selecting indicators /metrics

Gathering and/or generating data

Interpreting results

addressed by this tool       not addressed by this tool, but may be addressed through developer services

### Metrics

Numbers of people positively affected by a company for each of 8 Millennium Development Goal (MDG) areas.

### Data requirements

Internal company data. Calculations require a relatively small number of “output”-level metrics associated with a company’s operations, products and services, and community investments (as well as external country and industry sector data which are built into the model).

### Key audiences

While the resulting metrics are too highly aggregated to inform business action on their own, the underlying structure of the model can help company managers organize their thinking, prioritizing, and strategic planning. Externally, metrics could be of strong interest to development stakeholders, especially UN bodies, because

they relate to the MDGs; however, the number of people positively affected may not be enough information for many development stakeholders, and the calculations may be difficult to explain. Negative effects, including side-effects and knock-on effects, are omitted. Furthermore, in an effort to be relatively quick and easy to use, the model makes important simplifications and assumptions. It is important to remember that the data generated are rough estimates. Preliminary sensitivity analysis of employment and economic effects, for example, found a margin of error of 25%.

### Level of effort

**Tasks:** Collect and input the required data.

**Cost:** Framework is freely and publicly available online; implementation cost likely to consist primarily of staff time needed to collect and input required data. Required data is country-level, so aggregation (e.g. from business unit level) may be necessary.

**Time:** Once the required data has been collected, estimates can be generated in 10 minutes.

### Developer services available

While both developers offer a range of services, the MDG Scan is a self-service tool.

### Usage to date

At least 20 companies; results for 14 companies are available online.

### Case study

Based in the Netherlands, AkzoNobel is the largest global paints and coatings company and a leading producer of specialty chemicals including food fortification products. In 2008, the company decided to go beyond demonstrating compliance to try to understand its positive impacts on society using the online MDG Scan. Using data inputted by company staff, the tool estimated that AkzoNobel had benefited approximately 77,000 people in the area of MDG 1, eradication of extreme poverty and hunger. At the same time, the tool’s underlying framework, which asked the company to input data in three areas – impact from operations, impact from specific products, and impact from community projects – inspired and enabled the company to make a more comprehensive assessment of its socio-economic contributions in emerging markets for the first time. This more comprehensive assessment has allowed AkzoNobel to set priorities and targets and focus its efforts in high-potential areas like sales of nutritional products. AkzoNobel’s food fortification product Ferrazone, for example, had been consumed by 35 million people in 4 emerging markets, helping to fight iron deficiency and promoting cognitive development in an estimated 1.5 million children younger than 5. For more information, see <http://www.mdgscan.com/#page=Textpage&ite m=recommendations>



<http://www.mdgscan.com>



## Tool 6: Measuring Impact Framework

Summary				
A framework and guidelines, including worksheets, for the identification, measurement, assessment, and prioritization of socio-economic impacts for management response, including sample indicators and metrics.				
Developer				
The World Business Council for Sustainable Development (WBCSD) is a CEO-led organization of forward-thinking companies that galvanizes the global business community to create a sustainable future for business, society and the environment. The Measuring Impact Framework Methodology was developed in the period 2006-2008 in collaboration with more than 20 WBCSD members, reviewed by 15 external experts, and co-branded with the International Finance Corporation.				
Strategic fit <i>(Framework is very flexible; strategic fit will depend on specific design and implementation choices made by the user)</i>				
Secure licence to operate	Improve business enabling environment	Strengthen value chains	Fuel product and service innovation	
Applicable level(s) of analysis				
Site	Value chain	Business line	Company operations at the national level	Company
Guidance included				
Setting scope	Selecting indicators /metrics	Gathering and/or generating data	Interpreting results	
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<input type="checkbox"/> addressed by this tool <input type="checkbox"/> not addressed by this tool, but may be addressed through developer services				
Metrics	Framework is agnostic as to specific metrics, emphasizing the process of developing results chains and selecting indicators and metrics accordingly. Includes a library of possible indicators and metrics, grouped by business activity, at the "input," "activity," "output," "outcome," and "impact" levels.			
Data requirements	Dependent on specific metrics chosen.			
Key audiences	Company managers; other external audiences depending on specific metrics and implementation techniques chosen.			

Level of effort	<p><b>Tasks:</b> Set objectives; select the appropriate level(s) of analysis; research and select the most relevant indicators and metrics; select suitable data-gathering techniques; develop appropriate data-gathering tools (if applicable); and interpret results (including assessing contribution to development goals, if desired). Stakeholder engagement throughout the process is advised.</p> <p><b>Cost:</b> Framework is freely and publicly available; implementation cost will vary widely depending on the scope and objectives set by the user, specific indicators and metrics chosen, level of stakeholder engagement conducted, and third-party support services needed.</p> <p><b>Time:</b> Will vary according to scope, specific metrics chosen, and level of stakeholder engagement conducted.</p>
Developer services available	The Measuring Impact Framework is a self-service tool.
Usage to date	At least a dozen companies, including 5 documented cases available online; developer does not actively track usage.
Case study	<p>Eskom is a vertically-integrated, state-owned electricity utility that generates, transmits, and distributes 95% of the power used in South Africa. According to its joint shareholder compact with the Department of Public Enterprises, Eskom is required to integrate its commercial, environmental, and socio-economic roles into its core strategy. To help, it applied the WBCSD Measuring Impact Framework to identify, measure, and analyze data on some 150 quantitative and qualitative indicators of impact associated with construction, operations, and end usage of electricity among customers. Eskom also engaged stakeholders to assess and interpret the results. A critical issue proved to be the gap between supply and demand of electricity – a gap that was estimated to cost the South African economy more than US\$11.7 billion in the 2011 financial year. Eskom's socio-economic impact measurement exercise revealed that consumers were not aware of energy-saving methods, which could be part of narrowing that gap. As a result, the company is changing its marketing and communications materials to educate South African communities on how they can reduce their energy use. For more information, see <a href="http://www.wbcd.org/Pages/EDocument/EDocumentDetails.aspx?ID=14837&amp;NoSearchContextKey=true">http://www.wbcd.org/Pages/EDocument/EDocumentDetails.aspx?ID=14837&amp;NoSearchContextKey=true</a></p>



<http://www.wbcd.org/work-program/development/measuring-impact.aspx>

## Tool 7: Poverty Footprint

Summary				
<b>Framework and indicators for the identification, measurement, assessment, and prioritization of socio-economic impacts along the value chain for stakeholder engagement and management response; designed to be implemented by the company in collaboration with a development NGO such as Oxfam.</b>				
Developer				
Oxfam International, a confederation of 17 development organizations working in 90 countries worldwide. Oxfam's Poverty Footprint is a joint effort of Oxfam America and Oxfam Great Britain.				
Strategic fit <i>(Framework is very flexible; strategic fit will depend on specific design and implementation choices made by the user)</i>				
Secure licence to operate	Improve business enabling environment	Strengthen value chains	Fuel product and service innovation	
Applicable level(s) of analysis				
Site	Value chain	Business line	Company operations at the national level	Company
Guidance included				
Setting scope	Selecting indicators /metrics	Gathering and/or generating data	Interpreting results	
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<input checked="" type="checkbox"/> addressed by this tool <input type="checkbox"/> not addressed by this tool, but may be addressed through developer services				
Metrics	Framework includes detailed metrics on a wide range of topics related to corporate impact on poverty.			
Data requirements	Internal and external data collection required. Because the emphasis is on "outcomes" and "impacts," data collection from affected stakeholders is required.			
Key audiences	Company managers; information generated is also likely to be of strong interest to stakeholders, in particular civil society, e.g. because it goes to the "outcome" and "impact" levels and includes both positive and negative impacts. Development (and often implementation) of the framework by a reputable NGO adds to its credibility.			

Level of effort	<p><b>Tasks:</b> Set scope and objectives in collaboration with a development NGO partner, such as Oxfam; select indicators and metrics; develop research protocols; gather data; interpret results; prioritize management response; and develop and produce a public report in collaboration with NGO partner. Stakeholder engagement throughout the process is required.</p> <p><b>Cost:</b> Requires hiring an experienced researcher, supported by the company and by an NGO with socio-economic development expertise such as Oxfam; implementation cost will then vary depending on the scope and objectives set and the specific indicators and metrics chosen. The decision to produce a public report can add significantly to the time and cost involved, requiring the company and the NGO to reach agreement on how to interpret and present findings. Company staff time is required at an overall project management level (1 person part-time, at a higher level of intensity at the beginning and at the end) and at the operational level (up to several weeks' time to answer questions and coordinate on-the-ground data gathering with stakeholders).</p> <p><b>Time:</b> Depending on scope anywhere from 3 months to 2 years.</p>
Developer services available	Support for and/or implementation of all tasks; writing and production of a public report; and follow-up with stakeholders.
Level of use to date	3 companies; another in final stages with publication forthcoming.
Case study	<p>The Coca-Cola Company is the world's largest beverage company, and SABMiller is an international brewer and one of the world's largest bottlers of Coca-Cola products. Together, the two companies partnered with Oxfam to understand the impact of the soft drink value chain on poverty through the eyes of a development organization, including what they were doing well and where they could improve. The multi-year research process, managed by Oxfam, included three months of on-the-ground research in El Salvador and Zambia and stakeholder engagement to gain perspective on the findings. One key finding was that women play a significant role in the value chain as retailers of Coca-Cola products: an estimated 76% of approximately 64,000 retail outlets in El Salvador are owned by women, while in Zambia an estimated 33% of approximately 25,000 retail outlets are. SABMiller offered these women business skills training, but limited access to credit constrained their growth. These findings underscored what The Coca-Cola Company had found elsewhere in its business and, in 2010, the Company launched its 5by20 initiative with the aim of economically empowering 5 million women within its global value chain by the year 2020 through business skills training, access to financial services, and connections to peers and mentors. For more information, see <a href="http://assets.coca-colacompany.com/65/2c/2b471df6404f82740affb96f9c6a/poverty_footprint_report.pdf">http://assets.coca-colacompany.com/65/2c/2b471df6404f82740affb96f9c6a/poverty_footprint_report.pdf</a></p>



Framework is undergoing revision and will be publicly available again in mid 2013



## Tool 8: Progress out of Poverty Index (PPI)

Summary				
<p><b>A methodology, including detailed guidelines, survey instruments, and worksheets, for calculating the percentage of a surveyed population (such as customers) that falls below the national poverty line and the \$1/day and \$2/day international poverty benchmarks.</b></p>				
Developer				
<p>The Grameen Foundation, a non-profit organization established to support microfinance practitioners and to spread the Grameen Bank philosophy worldwide, along with the Consultative Group to Assist the Poor, an independent policy and research center dedicated to advancing financial access for the world's poor, and the Ford Foundation, a philanthropy (separate from the Ford Motor Company) that promotes social change through grants and loans that build knowledge and strengthen organizations and networks.</p>				
Strategic fit				
Secure licence to operate	Improve business enabling environment	Strengthen value chains	Fuel product and service innovation	
Applicable level(s) of analysis				
Site	Value chain	Business line	Company operations at the national level	Company
Guidance included				
Setting scope	Selecting indicators /metrics	Gathering and/or generating data	Interpreting results	
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<p><input type="checkbox"/> addressed by this tool      <input type="checkbox"/> not addressed by this tool, but may be addressed through developer services</p>				
Metrics				
<p>Percentage of surveyed population(s) that fall below the national poverty line and the \$1/day and \$2/day international poverty benchmarks can be used periodically to track change in the poverty rate, as "impact" indicators.</p>				
Data requirements				
<p>External data collection required. Framework includes country-specific, 10-question household surveys for 45 developing and emerging countries. Surveys must be implemented through household visits. Questions are simple and answers can be verified through observation. Questions have been selected for statistical correlation to poverty.</p>				
Key audiences				
<p>Company managers for whom income data or segmentation is useful, e.g. for supply chain management, development of distribution channels, product or service development, and/or consumer marketing. Externally, income data is of intense interest to stakeholders including NGOs, bilateral and multilateral development agencies, international financial institutions, "impact investors," and governments.</p>				
Level of effort				
<p><b>Tasks:</b> Identify target population; select sample size and identify households; conduct household interviews; consolidate survey data; use PPI methodology to calculate poverty rates.</p> <p><b>Cost:</b> Framework is freely and publicly available. Implementation cost will depend on survey sample size and geographic distribution, and whether company staff are in a position to implement the survey as part of their day-to-day operations (e.g. loan officer visits to borrowers' homes) or whether a third party must be hired.</p> <p><b>Time:</b> Will vary according to survey sample size and geographic distribution, as well as survey staffing and execution strategy.</p>				
Developer services available				
<p>Third-party certification of the PPI measurement process according to Grameen Foundation standards.</p>				
Usage to date				
<p>More than 70 users as of 2010.</p>				
Case study				
<p>CARD Bank Inc. is a licensed, deposit-taking financial institution serving more than 580,000 mostly low-income clients in the Philippines. In 2009, CARD set out to diversify from a focus on credit to a full suite of financial services. More comprehensive and accurate information on its clients would be critical to the transformation. As a result, CARD updated its management information systems to include a special form for the collection of PPI data each time a new client joins the bank, initiates a new loan cycle, opens a savings account, or exits the institution. This has expanded the data available for business analytics and enabled the bank to segment its clients more effectively, paving the way for more targeted product development and marketing. For example, analysis of poverty and savings data showed that a client's poverty status did not influence their ability to save as much as their access to a suitable savings product. CARD is using this information to design additional products and increase the accessibility of existing savings and loan products – for example, through lower minimum balances and deposit pickups at the client's home or business. CARD is also using this information to capture opportunities for cross-selling products to clients it might not previously have considered likely target markets. For more information, see <a href="http://www.progressoutofpoverty.org/sites/default/files/CARD%20PPI%20Mini%20Case%20Study.pdf">http://www.progressoutofpoverty.org/sites/default/files/CARD%20PPI%20Mini%20Case%20Study.pdf</a></p>				



## Tool 9: Socio-Economic Assessment Toolbox (SEAT)

Summary				
<p><b>A framework and guidelines, including worksheets, for the identification, measurement, assessment, and prioritization of the socio-economic impacts of local business operations for management response, including sample indicators and metrics; also includes a variety of socio-economic impact project management tools.</b></p>				
Developer				
<p>Anglo American, one of the world's largest mining companies, focused on platinum group metals, diamonds, copper, nickel, iron ore, and metallurgical and thermal coal.</p>				
Strategic fit				
Secure licence to operate	Improve business enabling environment	Strengthen value chains	Fuel product and service innovation	
Applicable level(s) of analysis <small>(SEAT has been developed for use by Anglo American operations; while the framework has been designed with mining and metals operations in mind, most of the guidance can readily be applied in other sectors with large operational sites. SEAT has been used for sugar plantations, forestry plantations, and industrial facilities).</small>				
Site	Value chain	Business line	Company operations at the national level	Company
Guidance included				
Setting scope	Selecting indicators /metrics	Gathering and/or generating data	Interpreting results	
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><input type="checkbox"/> addressed by this tool      <input type="checkbox"/> not addressed by this tool, but may be addressed through developer services</p>				
Metrics	<p>"Output" and "outcome" metrics; metrics can be added or substituted as needed by the user.</p>			
Data requirements	<p>Internal and external data collection required. Various questionnaires are provided.</p>			
Key audiences	<p>Company managers. Externally, information generated is likely to be of strong interest to local stakeholders in areas of operations, because it is gathered in response to their needs and aspirations. Home and host country governments and NGOs will also be interested. Framework includes guidance on preparing a public report, if desired.</p>			
Level of effort	<p><b>Tasks:</b> Customizing indicators and metrics as required; gathering internal and external data; interpreting the results; and preparing a public report, if desired. Stakeholder engagement throughout the process is advised.</p> <p><b>Cost:</b> Framework is freely and publicly available. Implementation is estimated to require up to 50% of the time of a project manager and two assistants; the support and cooperation of a general manager and various departmental staff is also required. Third-party support, e.g. from consultancies, NGOs, or academics, is advised to facilitate open stakeholder dialogue, enhance learning, and supplement company staff time.</p> <p><b>Time:</b> Anglo American estimates that an assessment requires 4-6 months to complete. The process is designed to be repeated every 3 years.</p>			
Developer services available	<p>None.</p>			
Usage to date	<p>Within Anglo American, approximately 80 implementations over nearly 10 years; several other companies have also used SEAT, though the developer does not actively track usage.</p>			
Case study	<p>Anglo American is one of the world's largest mining companies, with a focus on platinum group metals, diamonds, copper, nickel, iron ore, metallurgical and thermal coal. The communities where Anglo operates are critical to its business success: they provide its employees, they are valuable parts of its supply chain, and they can present operational and reputational risk if they perceive the company's presence to be a detriment, not a benefit. The community around Anglo's Sishen mine in the Northern Cape Province of South Africa faces poverty, lack of infrastructure, and lack of access to quality education, housing, and healthcare. Anglo uses SEAT to ensure that the company makes a positive, targeted contribution. As part of the SEAT process, company representatives met with various levels of government, traditional councils, schools, community-based organizations, health services and local business. They held a mass community meeting and undertook a door-to-door survey where they heard the personal opinions of nearly 60% of the community of 30,000. Among other needs, the process revealed that the Dingleton community, which was built to house employees in the 1950s, wanted to be resettled: their houses were nearing the end of their planned lives, and they were built too close to the mine by modern standards – exacerbating the impact of dust and vibration. As a result, the company is taking remedial action to alleviate some of those impacts and at the same time initiating discussion on voluntary resettlement. For more information, see <a href="http://www.angloamerican.com/development/case-studies/society/sishen_development">http://www.angloamerican.com/development/case-studies/society/sishen_development</a></p>			



## Tool 10: Input-Output Modeling

Summary				
<b>Statistical modeling that uses company, country and industry data to generate quantitative estimates of jobs supported and economic value added by a company in a national economy.</b>				
Developer				
Wassily Leontief, who won a Nobel Prize for the technique in 1973. Many refinements have been made by a variety of economists since then. Today, various academics and consultancies provide input-output modeling and related services, including Prof. Ethan Kapstein, INSEAD, France; Steward Redqueen; PriceWaterhouseCoopers (PWC); and others.				
Strategic fit				
Secure licence to operate	Improve business enabling environment	Strengthen value chains	Fuel product and service innovation	
Applicable level(s) of analysis <i>(In one country)</i>				
Site	Value chain	Business line	Company operations at the national level	Company
Guidance included				
Setting scope	Selecting indicators /metrics	Gathering and/or generating data	Interpreting results	
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> addressed by this tool <input type="checkbox"/> not addressed by this tool, but may be addressed through developer services				
Metrics	Number of jobs supported and dollar value of economic value added at the national level.			
Data requirements	Extensive internal company data, mostly "output" level e.g. on employment and various types of payments; external country and industry sector data are built into the model. The accuracy of the results depends heavily on internal and external data quality.			
Key audiences	Among many external stakeholders, governments will be particularly interested in the metrics generated, i.e. number of jobs supported and dollar value of economic value added at the national level. The Input-Output Modeling technique is well established and considered academically rigorous; third party implementation by academics and consultancies adds to the credibility of the results. Many such service providers offer public reports, though most companies choose to share results in a more targeted fashion.			

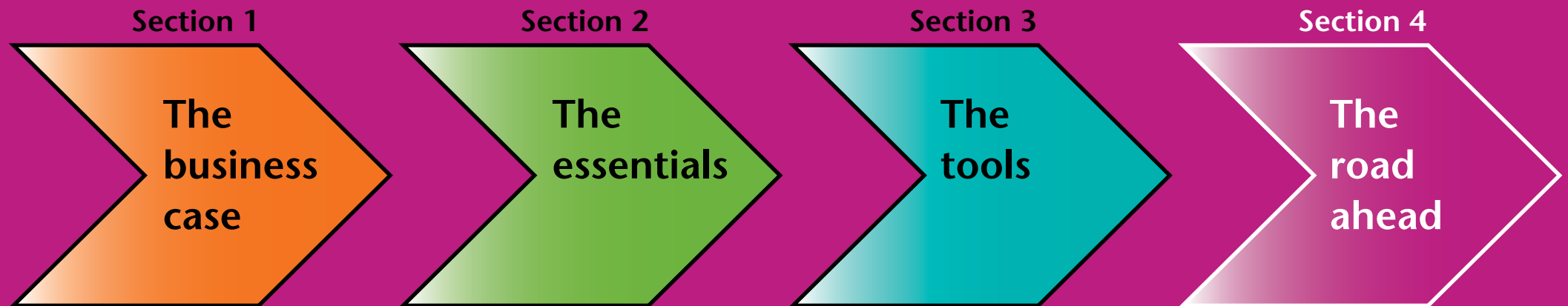
Level of effort	<p><b>Tasks:</b> Collect internal company data and external country and industry sector data; perform statistical modeling.</p> <p><b>Cost:</b> The Input-Output Modeling technique is freely and publicly available (summarized in various academic publications and Socio-Economic Impact Assessment reports). However, a third-party provider, such as Kapstein, Steward Redqueen, or PWC, typically performs it. Company staff time is required at an overall project management level (1 person part-time, at a higher level of intensity at the beginning and at the end) and at the operational level (up to several days' time to collect data and to review the draft report).</p> <p><b>Time:</b> The process takes approximately 3 months once company data has been collected.</p>
Developer services available	Various academics and consultancies offer to gather the external country and industry sector data required, perform the statistical modeling, and develop public reports, if desired. Frequently, these service providers can collect and analyze additional internal and external information (e.g. nature of employment created, human resources policies and practices, corporate social responsibility practices and programs, and environmental management systems) to contextualize the results of the statistical modeling, identify any externalities, and suggest where impact might be enhanced – adding to the strategic fit and functionality of the core Input-Output Modeling technique.
Usage to date	More than 65 implementations; most studies are not released publicly.
Case study	Standard Chartered is a British multinational bank active in emerging markets, with more than 90% of income and profits derived from Asia, Africa, and the Middle East. In 2010, recognizing that public trust in banking needed to be restored in the aftermath of the financial crisis, Standard Chartered decided to undertake a study intended to help the bank understand and maximize its contribution to society, with a focus on Ghana. It hired INSEAD Professor Ethan Kapstein and the consultancy Steward Redqueen to use Input-Output Modeling to quantify the impact of its operations and onshore financing on employment and economic value added. They found that the bank had generated \$400 million in value added in 2009, about 2.6% of GDP, and supported almost 156,000 jobs, about 1.5% of the workforce, showing it to be a critical player in the national economy. They also gathered more detailed information to contextualize these results – finding, for example, that lending to small and medium enterprises (SMEs) was a very powerful driver of economic value and employment compared to lending in other sectors. However, SME lending amounted only to 6% of the portfolio, with significant constraints to growth – like lack of formal legal status among SMEs, absence of positive credit references, and difficulty securing land title-based collateral. Standard Chartered had already set up a dedicated SME team and developed specific products; Kapstein and Steward Redqueen recommended that the bank also work with Ghanaian government authorities and other private firms to ensure more favorable conditions for SME growth. For more information, see <a href="http://www.standardchartered.com/en/resources/global-en/pdf/sustainability/Ghana-our_social_and_economic_impact.pdf">http://www.standardchartered.com/en/resources/global-en/pdf/sustainability/Ghana-our_social_and_economic_impact.pdf</a>



Various academic texts and papers as well as the websites of academics and consultancies providing Input-Output Modeling services.

# Section 4:

## The road ahead





This guide has been developed to help companies perform three essential tasks. Firstly, to define and articulate the business case for socio-economic impact measurement within their organization. Secondly, it helps business actors understand the essentials of impact measurement theory and communicate with internal and external stakeholders on the subject. Finally, it helps companies to navigate the landscape of measurement tools, and identify those that best meet their needs.

The guide analyzes tools that have been developed for business and that, in the WBCSD's experience, companies are increasingly interested in. This analysis is both an art and a science in that:

- Few of the tools profiled here are ready to use "off-the-shelf"; with one or two exceptions, they must be customized for each user, depending on the nature of the company, its strategy, and its goals for measuring socio-economic impact. Combining tools or elements of tools may also be useful.
- Many of these tools have been designed to be flexible; therefore, their strategic fit will depend greatly on user choices in the set-up and implementation of the measurement exercise.
- The landscape of tools is still evolving. Tools are being updated as user experience builds, and new ones are emerging with some regularity.

As the landscape evolves and as interest and experience mount, at the WBCSD we see two major opportunities to advance the practice of socio-economic impact measurement moving forward:

#### **Integrating socio-economic impact measurement into business performance management and reporting**

Measuring socio-economic impact can help companies with a host of strategic imperatives, including obtaining or maintaining license to operate, engaging policymakers to improve the business enabling environment, strengthening their value chains, and fueling product and service innovation to capture new markets and grow revenues. But for measuring to reach its full potential as an enabler of value creation – for the business and

its stakeholders – it must be fully aligned with corporate strategy and integrated into ongoing business performance management and reporting.<sup>4</sup>

To achieve this, we need to redesign the scope of corporate strategy and processes across measurement, management, and reporting. Integrating measurement can highlight the strategic drivers of a company's socio-economic impact, and the activities and pathways through which that impact is created. Ideally, we should work towards one standard for business which takes financial, socio-economic and environmental performance into account.

Today, stakeholder pressure and enthusiasm are common motivations for companies to measure their socio-economic impacts – but is almost as common for the same stakeholders to criticize companies' measurement efforts for failing to drive action. To the extent that socio-economic impact measurement is considered a separate, stand-alone, communications exercise, it will not take off, and it will not generate the value companies and their stakeholders hope to see.

#### **Using socio-economic impact measurement to drive more effective collaboration between business, government, and civil society**

Today's global challenges affect us all, and they are too complex and systemic for any one organization or even sector – business, government, or civil society – to solve alone. Collaboration is essential.

For collaboration to happen, government and civil society stakeholders need evidence that business has what it takes to be part of the solution. These stakeholders are increasingly aware of the logic – that by creating jobs, training workers, building physical infrastructure, procuring raw materials, transferring technology, paying taxes, and expanding access to products and services ranging from food and healthcare to energy and information

4 - The WBCSD is launching a work program on integrated reporting that demonstrates clearly and concisely the organization's ability to create and sustain value in the short, medium, and long term by linking its strategy, governance, and financial performance to the social and environmental context within which it operates. For more information on integrated reporting, see the International Integrated Reporting Council (IIRC) website, <http://www.theiirc.org/>.



technology, companies can improve people’s assets, capabilities, opportunities, and standards of living sustainably and at scale. They have seen the case studies. Many have already partnered with companies and provided support for company-led initiatives. But with donors and citizens demanding accountability in a resource-constrained world, they want to see the data. Socio-economic impact measurement can help to provide it.

Socio-economic impact measurement can also help business, government, and civil society design more effective collaborations by providing insight into the value it is possible to create and the roles the different partners can play in creating it. A better understanding of industry perspectives, in particular, can highlight strategic drivers of the socio-economic impacts of companies in a particular sector, geography or environment, and the pathways through which that impact is created. This helps prospective partners understand what companies’ highest-potential impacts are, where they come from, how they unfold, and what can be done in partnership and at scale to mitigate or leverage them.

Socio-economic impact and business success are closely intertwined. The practice of measuring socio-economic impact is in its early stages – but if it can be integrated into business performance management and used to drive more effective collaboration among business, government, and civil society, it holds great promise as an enabler of our collective efforts to meet people’s needs and accelerate the transition toward the WBCSD’s vision of a sustainable world in which the 9 billion people expected to share the earth by the year 2050 can live well, and within the limits of our one planet.

For any comments, questions and suggestions on the content of this guide, or to share experience in applying one or more of the frameworks portrayed, please contact [measuringimpact@wbcsd.org](mailto:measuringimpact@wbcsd.org)

Visit the [WBCSD website at www.wbcsd.org/impact.aspx](http://www.wbcsd.org/impact.aspx) for regular updates and case studies on companies’ work toward measuring their socio-economic impact



**About the World Business Council for Sustainable Development (WBCSD)**

The World Business Council for Sustainable Development is a CEO-led organization of forward-thinking companies that galvanizes the global business community to create a sustainable future for business, society and the environment. Together with its members, the council applies its respected thought leadership and effective advocacy to generate constructive solutions and take shared action. Leveraging its strong relationships with stakeholders as the leading advocate for business, the council helps drive debate and policy change in favor of sustainable development solutions.

The WBCSD provides a forum for its 200 member companies – who represent all business sectors, all continents and a combined revenue of more than US\$7 trillion – to share best practices on sustainable development issues and to develop innovative tools that change the status quo. The Council also benefits from a network of 60 national and regional business councils and partner organizations, a majority of which are based in developing countries.

[www.wbcSD.org](http://www.wbcSD.org)

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This publication is released in the name of the WBCSD. Like other WBCSD publications, it is the result of a collaborative effort by members of the secretariat and senior executives from member companies. A wide range of members reviewed drafts, thereby ensuring that the document broadly represents the perspective of the WBCSD membership. It does not mean, however, that every member company agrees with every word.

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[www.wbcsd.org/impact.aspx](http://www.wbcsd.org/impact.aspx)



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