

Impact Measurement and Performance Analysis of CSR (IMPACT)

*Deliverable 6.5: Brief Summary Report for optimisation
of tools*



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1 INTRODUCTION

The aim of this report is to summarise results of a literature review, focussing especially on CSR ex-ante impact assessment.

After conducting four empirical work packages, to collect information about CSR ex-post in companies, CSR-networks etc., and a synthesis to derive overall results and conclusions, a next step is to think how to assess and actually measure CSR impacts ex-ante. Ex-ante assessments of CSR impact could guide politics and companies on which CSR activities to use or foster to reach certain policy or corporate goals.

A first step on how to do ex-ante impact assessments of CSR is the review of existing literature in the following chapters. To build a bridge from CSR (impact) assessment (ex-post) to ex-ante CSR impact assessment the report will start by taking a look at existing ex-post CSR (impact) assessment methods (chapter 2). Chapter 3 will then focus on ex-ante assessment methods, clarify terminologies (chapter 3.1), explain characteristics of ex-ante assessments (chapter 3.2) discuss the scope of application of ex-ante methods (3.3), explain certain methodologies in more detail (chapter 3.4) and discuss whether and in how far ex-ante methods are used for CSR assessments (chapter 3.5). Finally, conclusions will be drawn (chapter 4).

2 EX-POST CSR (IMPACT) ASSESSMENT METHODS

The usual approach to assess CSR effects, and CSR impacts specifically, is to research them from an ex-post viewpoint. Even though there is a diverse set of studies, using different methods to analyse CSR, the actual quantitative measurement of CSR effects and CSR impacts (to be discerned from CSR outcomes) is still not common or systematised in companies and scientific research.

To guide companies on how to assess and actually measure the effects of their activities, several reporting standards or guidelines exist. Examples are: the guidelines of the Global Reporting Initiative (GRI)¹, the Global Compact (GC)², or more specific standards relating to certain issues like the Greenhouse Gas Protocol (GHG Protocol)³. In all three cases, these documents include quantitative indicators or at least ask companies to measure effects from their activities. However, these reporting standards or guidance documents do not systematically consider outcomes and impacts as two parts of the same phenomenon. The GC for example only focusses on the

¹ The most recent version of the GRI reporting guides (G4) can be found at: <https://www.globalreporting.org/reporting/g4/Pages/default.aspx>

² The most recent version of the Global Compact guide on how to create an *Communication on Progress* can be found at: http://www.unglobalcompact.org/docs/communication_on_progress/Tools_and_Publications/COP_Basic_Guide.pdf

³ The most recent version of the Greenhouse Gas Protocol standard for corporate reporting can be found at: <http://www.ghgprotocol.org/standards/corporate-standard>

performance part of the game and asks companies only to measure outcomes of their activities. The GHG protocol does not only focus on performance, but still there is no overarching logic discerning between outcomes and impacts. This means that looking at the GRI guidelines one can find outcome as well as impact indicators. But in many cases there are not both of them for the same issue – which would be necessary to trace outcome effects on impacts. E.g. looking only at total amount of CO₂ emissions, without also measuring the share of renewable energy, total energy consumption, CO₂ (and maybe energy) intensity does not answer the question why CO₂ emissions changed. Still, it has to be admitted that the new version of the GRI guidelines (G4) seem to have made a major step forward.⁴ For the example made above, now most of the indicators are required to be reported (total energy consumption, energy intensity, total CO₂ emissions, and CO₂ intensity). Finally, the GHG protocol mainly focusses on the impact category of climate change – CO₂ emissions.

Scientific literature has taken into account the quantitative measurement of effects of corporate activities as well. There is a variety of books and articles focussing on measurement of CSR effects specifically (e.g. Hutchins and Sutherland 2008; Labuschagne et al 2005; Lavery 2002; Maas 2009; Raghubir et al 2010; WBCSD 2008). However, there is often conceptual confusion as what we would consider to be firm level social performance effects (be they output, implementation or outcome) are often claimed as impacts (i.e. effects external to the firm). Even if literature gives attention to impacts this also problematic. This is for a variety of reasons, ranging from the confusion of impact with firm-level performance, uncertainties about appropriate and robust means of measurement (e.g. to isolate the effects of firms on impacts from other effects), to the problems of scaling up from case-study level analysis which tends to be very heavily context specific. The literature on measurement specifically reveals limited insights into uses of measures by companies and into how measurement might be better conducted. However, where measures of impact are deployed their usage tends to reflect very (usually national or sectoral) contextual factors and in some key cases leading corporations have adopted their own measures. Additionally, there is rarely attention to any systematic sense of sustainability; rather there is simply a selection of issues from this agenda.

In the light of this review on CSR impact measurement (ex-post) it is reasonable to conclude that

- CSR measurement is neither exclusively CSR specific nor CSR comprehensive as most of the reporting standards and scientific articles do not discern between voluntary and other activities,
- CSR measurement tends to confuse or conflate outcome and impact, and
- the academic literature's pre-occupation with social and financial performance (in which social performance usually means output) has rather eclipsed this critical issue of companies being able to ascertain and report their social and environmental impacts.

⁴ This report was created at a late phase of the project and a complete check of the new versions of the GRI G4 guidelines was not possible. A final evaluation of whether and in how far GRI G4 complies with the IMPACT methodology of discerning between outcomes at performance level and impacts was therefore not possible.

3 EX-ANTE (CSR) IMPACT ASSESSMENT METHODS

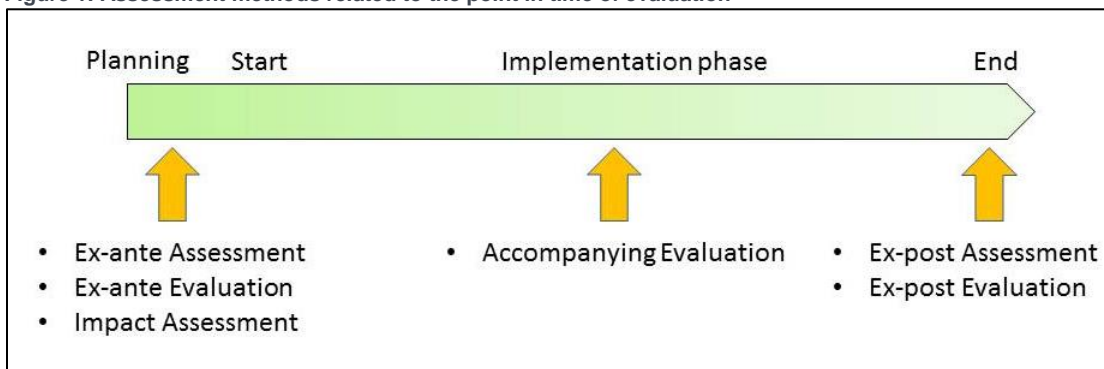
3.1 Terminology

The first thing that becomes clear when conducting a literature research asking “what is an ex-ante assessment” is that the formulations “ex-ante assessment” and “ex-ante evaluation” seem to be used interchangeably. Searching for “ex-ante assessment” delivers 564.000 Google-hits, while searching for “ex-ante evaluation” generates just 148.000 hits The European Commission regularly investigates the performance of its activities and therefore applies the term “evaluation” (see [SEC 2001] or [SEC 2009]). Consequently, all EC documents related to this topic use “evaluation” instead of “assessment”. Nevertheless, both expressions describe methodologies how to investigate effects of programs or projects in a structured and comparable manner. The following text does not distinguish between assessment and evaluation.

A comprehensive definition what evaluation means is provided from the Organisation for Economic Co-operation and Development (OECD): “Evaluation is the systematic and objective assessment of an on-going or completed project, program or policy, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, development efficiency, effectiveness, impact and sustainability” [OECD 2010].

A relevant distinguishing feature of program or project evaluation/assessment is the point of time when the work is conducted. This can either be at the beginning, during the implementation phase or at the end. The following figure schematically shows a project timeline and the point of time when different assessment/evaluations may be conducted.

Figure 1: Assessment methods related to the point in time of evaluation



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As it can be seen, **ex-ante evaluation** is conducted in the planning or beginning phase of a project or program. It can be understood as foresight methodology that deals with the question how project/program effects are likely to evolve in the future. Impact Assessment is a system developed by the European Commission to assess the impacts from policy making processes. Impact Assessment is an integrated approach applying a defined process and set of instruments

(like e.g. scenario analysis) and addressing economic, social and environmental aspects (see SEC [2009]). The impact assessment procedure is organized in six test steps:

1. Identification of the problem to be solved
2. Designation of targets. The goals should be clearly defined (Specific), measurable (Measurable), accepted (Accepted) and realistic (Realistic) be and be associated with clear timelines (Time-dependent).
3. Development of alternative options
4. Determine the likely economic, social and environmental impact measurement of administrative costs at EU level
5. Comparison and comparison of options
6. Monitoring and Evaluation of entry into force of the regulation or the program

An **accompanying evaluation** is conducted while a program/project is running. Consequently, a different intention is combined with accompanying assessments than with ex-ante assessments. Accompanying assessments typically question whether targets and goals were formulated in a way that they can be reached or if a need to adjust measures or instruments is seen.

The **ex-post evaluation** is conducted at the end of a project or program and investigates the final impacts caused through implemented project measures. Further research questions are: Were targets achieved? How would the starting situation have progressed without the program/project? What recommendations result for comparable programs/projects? What are the “lessons-learned”?

3.2 Characteristic of Ex-ante Assessment

As explained above, ex-ante evaluation/assessment is a method to foresight project related effects and impacts. According to [Silvestrini 2011] the following additional **requirements** are described. Ex-ante assessments shall:

- evaluate the relevance, feasibility and potential sustainability of an intervention,
- empower the decision makers to allocate available resources appropriately,
- show possible disparities, gaps and potentials of the current situation,
- assess the consistency of the proposed strategy,
- quantify possible targets

Ex-ante assessment can be conducted following different **approaches**. Therefore, the primary interest of the ex-ante assessment has to be defined. The following approaches can be distinguished:

- Target and impact orientated approach: Decision supporting information is obtained by describing all intended and unintended effects from the program/project on related stakeholders.

- Process orientated approach: The Ex-ante assessment focusses on the economic question whether available project/program resources are (internally) being allocated.
- Target oriented approach: The Ex-ante assessment focusses on the independency of the project/program and the economic, social, politic and ecologic framework requirements. The intention is to understand the dynamic of the surrounding ambience and to identify possible “push & pull” factors for the program/project.

3.3 Scope of application

Ex-ante evaluations are applied in various social, economic and scientific areas. The following list presents just a few prominent application fields for ex-ante evaluation:

- **International development aid** is a traditional field where ex-ante evaluations are common –if not obligatory. Early studies first assessed from a retro-perspective view analyse the effects from single projects. In order to organize an efficient course of program, prospective assessments (ex-ante) have to be developed.
- **Environmental planning**: Since the “Directive on the assessment of the effects of certain plans and programs on the environment” [2001/42/EC] came into force, ex-ante evaluations to assess the environmental impacts from certain planning projects became necessary.
- **Feasibility studies** to examine the marketability of products or services can also be understood as ex-ante evaluation. The SWOT⁵ analysis as a structured planning method can also be understood as form of ex-ante evaluation.
- Ex-ante evaluations are also applied in the field of **Education and Pedagogy**. Research questions address the efficiency of teaching methods. In this field, a distinction between assessment and evaluation can be found: The assessment is understood as an on-going process to improve learning. It analyses the process of learning itself and identifies areas for improvement. In contrast, evaluation is understood as final step to gauge quality. Asking what has been learned and if an overall score has been reached. This distinction recalls to the above given classification into ex-ante and ex-post. (based on [LIQ 2004])

3.4 Scenario Analyses as Ex-ante Tool

The scenario-technique is a widely used and accepted tool to generate “future-knowledge”. Scenarios are applied to describe the future under consideration of various influencing factors and parameters [Koch 2013]. Scenario analyses are always based on a reference scenario. The reference scenario describes what is supposed to happen without any project related effects. Mostly, the development from the recent years is prolonged into the future, adjusted and complemented by considering forecasted external effects like e.g. demographic or economic

⁵ SWOT = Strengths, Weaknesses, Opportunities, and Threats

forecasts. All further scenarios refer to the baseline scenario and conclusions are derived from relation with the baseline scenario.

The definition of single scenarios builds the central step of the scenario analysis. Within each defined scenario, single parameters can be varied. This may be for example the introduction of new technologies. The goal is to define scenarios which are easy to understand without varying too many parameters as this makes results complicated to analyse. The simplest way to identify clear cause-and-effect relationships would be to define a scenario by only varying one parameter. Apart from the reference scenario, a classic scenario setting includes a best- and worst-case scenario and 1 or 2 additional scenarios. As stated above, the interpretation of the results is made as comparison to the reference scenario.

In order to formulate resilient and transparent scenarios, the definition of scenarios has to be the result from a multistage stakeholder involvement processes [Koch 2013].

3.4.1 Benchmarks and KPI as Scenario Parameter

The famous statement “if you can’t measure it – you can’t manage it” is also valid for ex-ante analyses. In the field of economic ex-ante evaluations, robust scenario settings can be defined if benchmarks and/or Key Performance Indices (KPI) are available. Benchmarks describe sectorial best practice or average metrics for products or processes. KPI are company specific and express a relative metric where two dimensions are linked with each other (e.g. cost per unit output). In the case of sector benchmarks, the existence of publicly available data is more likely than in the case of KPI.

Benchmarks and KPI are effective tools to identify measure related progress and are therefore very useful for ex-ante evaluations. Scenario calculations also profit if clear targets or dates have been defined for the assessed program/project. Target or dates are set to prove the status of the implementation or improvement at a certain point of time ([BMI 2006], [BMU 2009] and [PWC 2010]). The achievement of an elected benchmark or KPI may also be defined as target.

3.5 Ex-ante evaluation and CSR

The primary intention of this task was to collect and investigate all ex-ante assessments on the impact of CSR measures. During the work on this task it became clear that predominant research on CSR asks how CSR affects the economy and which business benefits result from CSR measures. Dimensions that are addressed are for example monetary brand value, customer attraction and retention, company reputation, employer attractiveness or employee motivation (e.g. [Weber 2008], [Kitzmüller et al. 2010], [Minor 2010], [Waßmann 2011]). Apart from this, CSR research in the context of sustainable investment is a very dynamic field. More and more customers ask for quantitative assessment tools in order to build up a sustainable investment portfolio (e.g. [DVFA / EFFAS 2010], [Lydenberg et al. 2010]).

However, it was not possible to obtain examples for the ex-ante evaluation of benefits from CSR measures for society. As shown in chapter 2 there are methods on how to assess company effects and how to assess CSR ex-post. Still, there are several problems related to these approaches: they do mainly not focus exclusively on CSR; they do not aim at impacts; if they focus on impact they often mix it up with outcome on performance level. As then shown in the chapters above there are methods to assess impacts ex-ante as well. However, in many cases they are applied in different fields of research and they do not focus on CSR when define as contribution of voluntary effects of company activities.

4 CONCLUSIONS

Finally it has to be admitted that currently there are no methods specifically aiming at assessing and measuring CSR impacts. There are methods to evaluate CSR ex-post (mainly not focussing on impact or at least on impact as defined in IMPACT), and there are methods to conduct ex-ante evaluations – but so far there was no merge of both types of analyses to apply ex-ante assessments of CSR.

However, relating to the overall conclusions from the IMPACT project, this might not be necessary at all. One result, based on the experience made during the ex-post analysis of CSR in IMPACT, is that the debate about voluntariness versus mandatory activities should be overcome. It got very clear that it is not possible for research and not pragmatic for companies to discern between effects of voluntary and mandatory activities. IMPACT therefore came to the conclusion that the future of CSR and CSR research should align with the new EU Commission definition of what is CSR. The EU Commission now defines CSR as responsibility of companies for their impacts on society. Whether these impacts are caused or changed by voluntary or mandatory action is not relevant any longer. This perfectly fits to companies' practices on how to implement activities and assess effects accordingly and solves the problem of discerning causal chains with regard to voluntary and mandatory activities. Complying with this new understanding of CSR for ex-ante assessments actually means that it is not necessary to create methods which are able to discern between different voluntary and mandatory activities. Then methods as described above (e.g. scenario analysis in chapter 3.4) already fit to what is now seen as CSR. Still, it might be necessary to discern between several causal relationships – but only to know what a certain activity changes and whether this is sufficient instead of making it as a part of the task by definition. And the task of assessing effects of CSR in sum would be much easier anyways.

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