

Impact for Change

Better Business in a Better World



Foreword



Imagine the impact that your company could make if it applied its unique skills and expertise to address the needs of business and society. What is the limit on what you could achieve?

For most of the past century, many companies have been happy to sign checks to support others' initiatives to bring about change. Financial support is valuable, but there is so much more that business can do to create change on a greater scale. In today's world, to make a real impact, companies need to understand their touchpoints with society and really drive change, not just in their direct operations, but throughout their value chain. It also requires investing time and expertise and co-creating solutions through collaborations.

Both business and society thrive more when the other prospers. Many of business's touchpoints with society are positive: from quality jobs and investment in skills through to innovating products that meet pressing social needs. But sometimes there may be uncomfortable truths to face, as some of business's touchpoints with society are negative. It is important to understand and improve performance. Companies have a really exciting opportunity to assess their impacts, and then take action to create change. This will bring greater benefit to both the individual business and society. This is what we mean by impact for change.

We are clearly not the only ones that think this way. The United Nations' Global Goals, launched in 2015, emphasize how partnerships between businesses, non-profits, and governments can scale up impact.

The resulting impact should be more than any one organization could achieve on its own. I expect we are going to see many more such collaborations in the years ahead.

A particularly exciting area is the opportunity for scaled impact in emerging markets. Corporations can help stimulate growth, not just through investing in physical infrastructure but by also engaging in dialogue and collaboration with local organizations. That can improve lives where it matters most, build a more vibrant civil society, and open up new markets for responsible businesses around the world.

One of the most important things I have learned over the years is that the most productive dialogue with stakeholders happens when there is real data on hand. You simply cannot have a dialogue without facts. I am constantly amazed by how few companies say they have an accurate grasp of their impact footprint. We call this the Impact Knowledge Gap and it represents such a great opportunity for businesses to discover how to use their resources, influence, and expertise to have a significant impact on the countries and communities in which they operate.

However, after the analysis and after the conversations, action must follow. Corporate Citizenship believes that when companies aspire and act to become better businesses, we can also create a better world. I hope that this paper gives you fresh ideas to make a difference.

Amanda Jordan OBE

Cofounder and Director, Corporate Citizenship

Contents

Executive summary.....	4
Better business in a better world.....	5
Business benefits of impact data.....	7
Steps to Impact for Change.....	9
Five hallmarks of good impact assessments.....	11
Actions for enduring impact.....	12
Further reading.....	13

Executive summary

Business and society in an interdependent world

No business is an island. Society creates costs and value for business and business has both negative and positive impacts on society. This interdependency makes it vital for companies to understand their touchpoints with society. Every business needs to know who they affect and how they affect them. On the flip side, they also need to drill down into how these touchpoints affect the company.

With this knowledge, businesses can better manage the risks and opportunities that come with operating in today's interconnected world. More importantly, it is the first step in driving action to maximize positive impact.

The impact knowledge gap

Impacts are the positive and negative effects that an organization may have on individuals, communities, and wider society. They span a company's own operations as well as the wider touchpoints along the value chain. There is a two-fold impact knowledge gap, both internally within the business, and externally for its stakeholders. Internally, few corporations are able to effectively measure how they are creating change. Many do not know what they should do next to amplify their future impact.

With regards to the external impact knowledge gap, just one in five of the corporate social responsibility practitioners we surveyed said that external stakeholders currently have a "good understanding" of their companies' impacts. This external impact knowledge gap represents a real opportunity for constructive, fact-based dialogue between the business and its stakeholders.

By closing both the internal and external impact knowledge gaps, companies can yield significant business benefits.

The most effective businesses use impact data as the catalyst to accelerate change and increase the rewards for both business and society.

The business case for impact data

Closing the impact knowledge gap begins with gathering accurate data. But the real benefit comes from harnessing the insights to drive action. Corporations can use impact assessments not just to create value for society but also to realize three key business benefits:

1. Spark innovation for business growth

Companies can pinpoint areas of unmet need, which can stimulate fresh ideas for products, services, and new business models.

2. Build resilience and reduce risk

Firms can minimize the effects of future shocks and stresses, and identify potential vulnerabilities.

3. Establish effective collaborations to scale up impact

Businesses can partner with others more strategically and engage in fact-based dialogue that builds credibility and trust.

Impact for Change

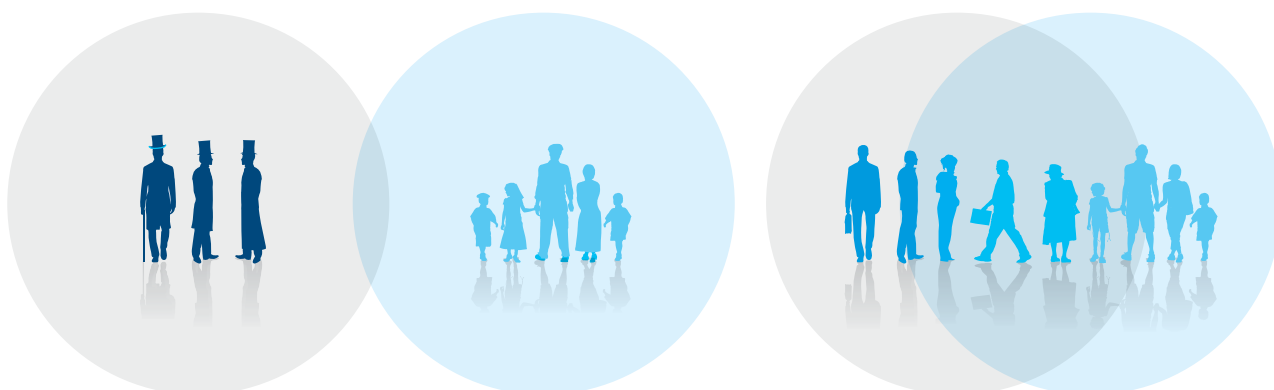
Corporate Citizenship has developed the Impact for Change framework to help companies to deliver positive impact. This framework outlines three key steps:

- 1. Value chain mapping** – to identify who is impacted by the business and how.
- 2. Impact assessment** – to quantify the impacts through robust data and insights.
- 3. Action planning** – to target interventions to minimize negative and maximize positive impact.

As well as the Impact for Change framework, there is a full spectrum of actions that corporations can take to drive further positive change. These range from engaging stakeholders to gain feedback on proposed solutions, to developing strategic plans that create value for society and the business in the most promising areas.

The most effective businesses do not view data as the end of the road. Instead, companies grow faster when they take action: using impact data as the catalyst to accelerate change and increase the rewards for both business and society.

Better business in a better world



The interdependence of business and society

The diagrams above show two worlds. Just a century ago, business and society seemed to have very little overlap. Yet, the dividing lines have now blurred. We are increasingly aware of the costs and value that society and business create for each other, as well as the extent to which their roles and responsibilities have become more and more intertwined!

In the early 1900s, the main stakeholders for a US business were simply the customers it sold to and the shareholders on whose behalf it made money. Firms today must consider their impact on a much wider range of stakeholders throughout their value chains. This new context makes it even more imperative for companies to understand their touchpoints with society. Today, businesses need to understand:

1. who they affect; and
2. how they affect them.

Impact matters. Today the media is full of stories about how companies have made mistakes, from allegations of human rights abuses in the supply chain to questions about the fairness of pay and taxes. It is not just non-profit campaigners and regulators that are asking questions; employees and consumers are increasingly questioning too.

However, there is more to the story than just what hits the headlines. It is also about the positive impact and potential of business: to create jobs, invest in communities, and create products and services that serve a social or environmental need. The tight-knit relationship between business and society has never been more dynamic. This means the risks are very real, the context is shifting, and the opportunities for forward-thinking corporations are abundant.

Armed with a solid understanding of the company's interdependency with society, businesses can manage the new set of risks and opportunities that come from operating in a more connected world. These issues include being able to access shared resources, build more effective relationships with stakeholders, stay ahead of trends to edge out the competition, and operate more efficiently when the cost of capital is under pressure. Most importantly, knowledge about who the company affects and how it affects them is the first step towards optimizing impact.

WHAT DOES IMPACT ACTUALLY MEAN?

Impacts: The short- and long-term changes that companies generate for individuals, communities, and wider society. They can be social, economic, or environmental, and they can be positive or negative. Impacts are created across the value chain, from the way in which raw materials are sourced through to how products are used and disposed. They range from how a business supports the livelihoods of small-scale suppliers to what a product's carbon footprint is when it is used by the consumer.

Positive impact: An impact that creates value for the business and/or society (e.g. habitat restoration, employee training and development, taxes paid).

Negative impact: An impact that creates harm for business and/or society (e.g. waste generated, human rights abuses, deforestation).

Types of impact

Impacts can be made through the company's direct operations, but also indirectly through the activities of those who are affected by the sourcing, producing, selling, consuming, and disposing of the products and services.

¹Mastering Resilient Growth: How understanding the business context can accelerate innovation, Corporate Citizenship, 2014

SELECT EXAMPLES TO ILLUSTRATE POSITIVE AND NEGATIVE IMPACTS

		Economic (a change in the factors that contribute directly to the financial well-being of a company or society)	Social (a change in the factors that contribute to the well-being of people within society or a company)	Environmental (a change in the factors that directly affect the physical world)
For society <i>The positives and negatives that are created for society</i>	Positive	Taxes paid; jobs created; money paid to local suppliers	Health improvements from a new product	Habitat restoration in the supply chain
	Negative	Unemployment	Human rights abuses	Deforestation; greenhouse gas emissions
For business <i>The benefits and costs that result for the company</i>	Positive	New revenues; lower costs	Employee training and engagement; reduced fatalities or accidents	Resource abundance
	Negative	Higher costs; lower revenues	Employee sickness or turnover; labor unrest	Resource scarcity

The impact knowledge gap

Many people know surprisingly little about corporations' impacts; there is an impact knowledge gap. This gap is both internal, within the business, and external, within the minds of their stakeholders. The internal impact knowledge gap means that few companies are able to effectively measure how they are creating change, despite often considerable investment in responsible business practices. Furthermore, this lack of impact data impairs firms' ability to plan what to do next to maximize their future impact.

The external impact knowledge gap affects how companies relate to their stakeholders. To find out more, we conducted a global survey of corporate responsibility and sustainability practitioners working in corporations. Just one in five said that external stakeholders currently have a "good understanding" of their companies' impacts. This represents a missed opportunity for constructive, fact-based dialogue between the business and its stakeholders.

Companies that do not address the gaps in internal and external impact knowledge are missing out on an opportunity to achieve significant business benefits.

Using impact knowledge to drive action

Robust, data-driven impact studies provide corporations with a deep understanding of their touchpoints with society. They can help companies answer questions such as:

- Does purchasing from local businesses create jobs and reduce risks, such as over-dependence on certain suppliers?
- Are lowest paid workers falling below local and national averages?
- What is the gender diversity in the supply chain?
- How do environmental emissions compare to those of competitors?
- What is the environmental footprint of a product?
- How have training programs improved the skills of the workforce?
- How have investments improved local infrastructure?
- What is the size of the relevant talent pool in the communities of operation? Does it meet current and emerging needs?
- Are products reaching all parts of the market, particularly underserved ones? What new needs might be met?

The collection of impact data is a good first step to answering these types of questions. Yet the real benefit comes from harnessing this data to take action and create real impact for both the business and society.

Business benefits of impact data

Companies can derive three key business benefits from analyzing impact data.

1. Spark innovation for business growth

Impact data can help companies pinpoint areas of unidentified or unmet need. The discovery of these untapped areas can stimulate fresh ideas for products, services, and new business models that maximize positive impacts and minimize negative ones. For example, a company may spot a new market where people do not currently have access to its services. By exploring the barriers to entry, the business can create a new kind of service that meets the needs of a previously underserved group and creates new revenue streams for the company.

These types of innovations can help further differentiate the business, as they focus on areas where the company can generate new and unique impacts.

WING

CASE STUDY

WING: INNOVATIVE BANKING SOLUTIONS FOR UNBANKED RURAL-ORIGINATED CUSTOMERS

Despite Cambodia's population of 14 million, the country only has around 200 ATMs and roughly 50,000 bank accounts.² The Australia and New Zealand Banking Group realized that this lack of banking infrastructure represented both a business opportunity and a chance to benefit society. They established WING – an innovative service offering that provides mobile phone payment capabilities to unbanked Cambodians. The company focuses on providing this service to garment workers and other rural-originated customers. For the first time, this population has a safe, affordable, and fast way to transfer money to their relatives, who rely on this remittance flow for education, housing, and other staples. WING – now a Cambodian registered company – became profitable in 2013 and continues to grow. Due to its early entry to the mobile payments market, WING is well positioned for success in a country of 14 million people.

2. Build resilience and reduce risk

Impact data helps companies to identify current and emerging issues across the value chain that may be vulnerable to shocks, new costs, or reputational damage. For example, in the supply chain, issues such as human rights abuses or underpaid workers may create a reputational and operational risk. The analysis puts potential risks in context and highlights vulnerable impact areas to prioritize for action.

Corporations can use impact data to identify opportunities to safeguard the business against potential risks, such as new regulations, campaigns, or threats to security of supply. At the same time, managing risk can help stabilize a supply chain and generate economic growth in communities. For example, a food manufacturing company may identify the opportunity to increase local sourcing to build a more reliable supply of key ingredients close to its facilities, while simultaneously strengthening the local economies in which it operates.

A forward-thinking approach can also help the company anticipate or respond to upcoming issues that stakeholders might raise, such as increased demand for organic products or greater attention to corporate tax policies.

Mondelēz

CASE STUDY

MONDELÉZ INTERNATIONAL COFFEE MADE HAPPY PROGRAM

Mondelēz International realized that it could make a big impact on the lives of coffee farmers, many of whom struggle to make a good living, while also securing its supply chain. The company created the Coffee Made Happy program, which will invest \$200 million to support one million coffee farming entrepreneurs by 2020. Through Coffee Made Happy, the company champions better agricultural practices, equipping farmers with the skills to be successful entrepreneurs and making coffee farming attractive for future generations. Mondelēz, which buys around 6% to 7% of global coffee production, has trained more than 300,000 farmers in 2015.³ It is also working with 24,000 farmers in Ethiopia and 16,500 in Honduras, where it buys more than 30% of the country's arabica crop. There are also projects running in Vietnam, Peru, and Indonesia. The program is creating a more robust global coffee supply chain, while also improving the quality of life of the farmers that participate.

¹<http://www.csr-asia.com/report/Shared%20Value%20Publication.pdf>

²<http://www.cips.org/en/Supply-Management/News/2015/May/Kencos-Coffee-Vs-Gangs-project-just-part-of-companys-efforts-to-protect-global-supply-chain/>

3. Establish effective collaborations to scale up impact

Impact data highlights key touchpoints with society across the value chain. Companies can use impact data to engage in fact-based dialogue with key stakeholders on shared issues, such as infrastructure challenges (e.g. poorly maintained roads, which delay transportation), talent shortages (e.g. a limited talent pool of college-educated graduates), or environmental constraints (e.g. water scarcity). This fact-based approach can help build better relationships based on mutual trust and transparency.

With impact data corporations can identify various stakeholders as partners in jointly tackling relevant issues. Through effective partnerships with shared objectives and clear responsibilities, a much greater impact can be created than any organization could achieve on its own.

Impact data helps companies identify current and emerging issues across the value chain that may be vulnerable to shocks, new costs, or reputational damage.

Companies can use impact data to engage in fact-based dialogue with key stakeholders on shared issues.

Interface and Zoological Society London CASE STUDY

NET-WORKS

Net-Works is an innovative partnership between Interface, a global manufacturer of carpet tiles, and the Zoological Society of London, an international scientific, conservation and educational charity. The initiative empowers local community members to collect discarded fishing nets in rural coastal areas in the Philippines and the nearby Bantayan Islands. The discarded nets are then sold back into a global supply chain to be used as a material for carpet tiles. This cross-sector initiative supports Interface's goal to source 100% recycled material for its carpet tiles, while also tackling the growing environmental problem of discarded fishing nets in some of the world's poorest coastal communities.

Steps to Impact for Change

The Impact for Change framework is an approach that Corporate Citizenship uses to help companies map their impacts across the value chain. It identifies deep-dive areas of greatest risk and opportunity. It also reveals new insights and levers to bring about positive change for business and society. The approach typically involves three main steps:

1. Value chain mapping

Detailed value chain analysis of the business's key touchpoints with society. From supplier activities through to consumer use and disposal of the company's products and services. This analysis will:

- Identify who the business affects and how.
- Expose key social, economic, and environmental risks and opportunities through both direct and indirect operations.

2. Impact assessment

Quantification of the economic, social, and environmental impacts on society. This assessment will:

- Provide a deep understanding of positive and negative impacts.
- Generate robust data on the company's range of impacts.
- Highlight Impact for Change focus areas – key areas in the value chain where specific interventions or collaborations could make a positive impact.

3. Action plan

Clear guidance on key steps to take to maximize positive impacts and minimize negative ones, with a particular focus on the business's Impact for Change areas. This will:

- Identify levers and mechanisms for change within the business.
- Recommend high-impact partnerships and collaborations that can create greater change at a faster pace.
- Set a timeline for implementation, highlighting key milestones to achieve.



What is your total impact?

To get a handle on the full range of business risks and opportunities, companies should look beyond their direct operations to explore both their indirect and wider impacts on society and the business. The illustration below highlights the wide spectrum of example positive and negative impacts that companies can uncover when they begin to consider how and where they can deliver change.

DIRECT IMPACTS OF YOUR OPERATIONS



45% of your procurement spend goes to domestic suppliers, helping to generate local growth and jobs.



Water usage has increased 15% year-on-year, with local government reporting water scarcity in your region as a priority concern.

INDIRECT IMPACTS THROUGH THE VALUE CHAIN



Downstream in your value chain, 25% of workers are female, including 5,000 women earning an income for the first time from distributing your products.



25% of your critical suppliers source from countries considered high-risk for human rights issues.

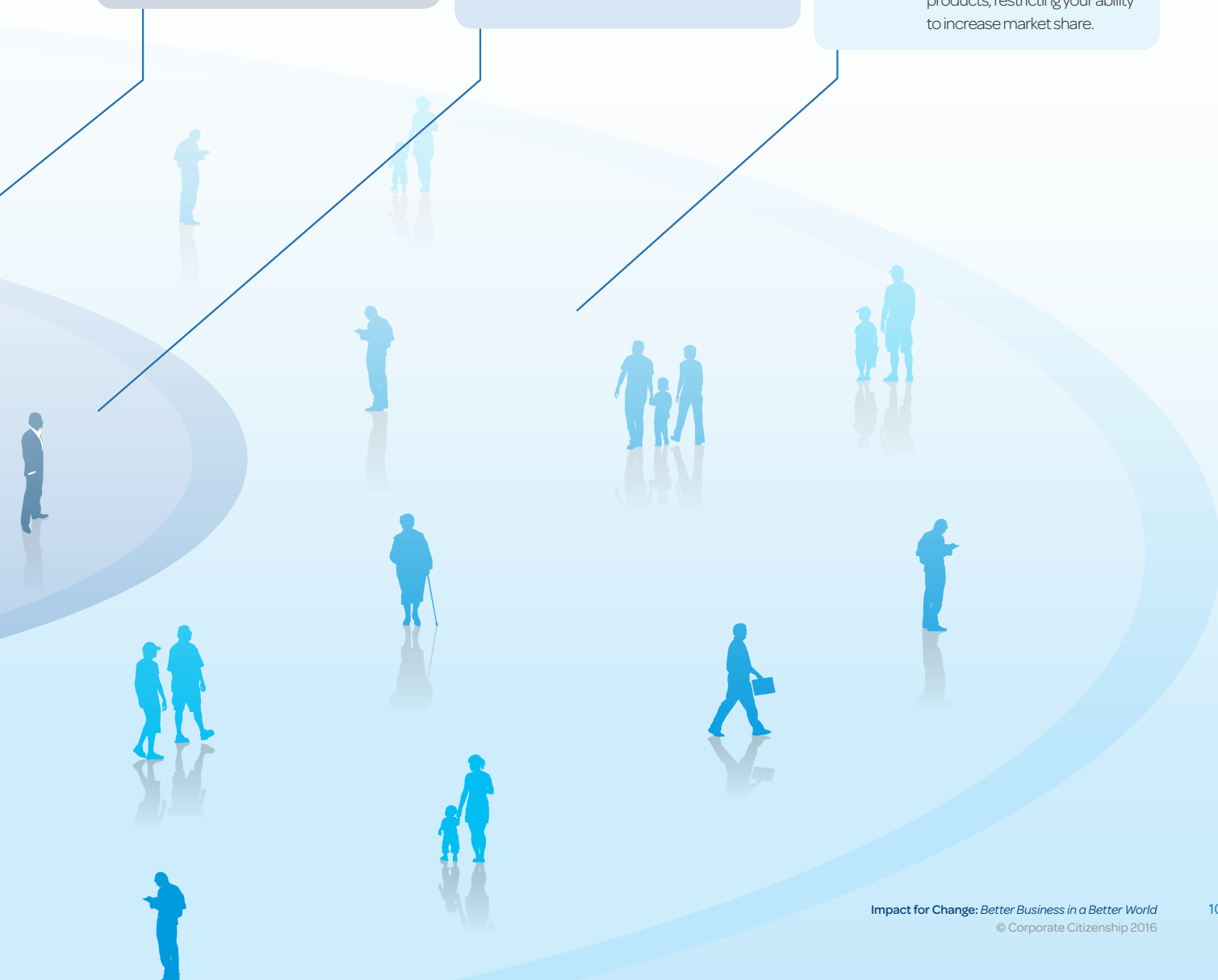
WIDER IMPACTS FOR SOCIETY AND THE BUSINESS



A technological advance in your product gives over one million people reliable and affordable access to the internet for the first time, allowing them to better connect with loved ones and benefit from internet-dependent services, such as online job portals.



Only 5% of the domestic population can afford your products, restricting your ability to increase market share.



Five hallmarks of good impact assessments

After nearly twenty years of helping companies to measure their impacts, Corporate Citizenship know that these assessments can be real springboards for delivering meaningful change.

Many of our clients ask us: what does best practice look like? Done thoughtfully, corporations can create high-impact, long-lasting change. We have found that there are five hallmarks of effective impact assessments. By bearing these in mind at the outset, companies can ensure that the assessments deliver real value for everyone involved.

1 Set clear impact objectives

Companies should outline the objectives and desired outcomes for the impact assessment prior to beginning the work. This can include considering who the key internal and external audiences are, and which questions they would like answered. The objectives should inform the types of impacts that are included in the assessment. For example, a company that seeks to better understand gender issues in the value chain may limit the study to this issue. Conversely, larger studies seek to cover the full range of impacts on multiple stakeholders.

2 Fix value chain boundaries

It is important to agree on a well-defined scope for the impact assessment. Will the assessment focus on particular areas of the value chain, or include the entire value chain from suppliers to trash-pickers? Clear boundaries help to inform data collection and analysis. They also provide anyone reading the assessment with a clear understanding of what has been included and excluded.

3 Gather trusted data

Businesses and their stakeholders need reliable, trusted insights to make the right decisions and to build mutual trust. In order to do this, companies should prioritize reliable methods and respected sources to collect

data. It is also important that the data analysis is performed without bias. With particularly scrutinized issues or industries, third parties are often used to perform the assessment to maintain a certain level of impartiality.

Engaging directly with stakeholders can provide valuable first-hand insight into the company's actual impact on individuals. An interview or focus group with suppliers or employees can add depth to an assessment and help to identify areas where action can be taken to enhance impact. Regardless of the mechanism or method, the company should be transparent about the means used to gather and analyze the data.

4 Contextualize the analysis

A company's impacts do not exist in isolation. They are part of a wider social, political, cultural, and economic context. While current performance is helpful to understand the size of the company's impact, it is difficult to know if that impact is large or small without some means of comparison.

Benchmarking allows companies to compare their impact data with external reference points and competitor sets to understand how they fall compared to best practice. Corporations may also want to review their impact trend data, particularly as the impacts and context can change over time. Data collection and

benchmarking therefore should be as up-to-date as possible, and studies repeated if there is evidence that the impacts or context may have substantively changed.

Additionally, qualitative narratives and case studies can also help to bring the impact data to life and provide greater nuance to the data.

5 Take action to create change

Too many impact assessments are done just to inform a conversation or create a report. While stakeholder engagement and external reporting are crucial functions for a transparent organization, the real value from impact assessments comes from taking action to respond to the insights.

Taking action might include:

- Making a commitment or setting a target to enhance positive impacts and improve negative ones.
- Reviewing policies, programs, and processes to ensure that the risks identified are controlled and the opportunities harnessed.
- Piloting a new product, service, or business model.
- Scaling impact through a partnership that pools skills and resources on a shared challenge.

In this report, we have outlined some of the major areas of business benefits and the steps that any organization can take to maximize their advantages. From creating innovative, profitable new services that meets a societal need to creating a more secure supply chain that reduces business risks and empowers local businesses, there are countless ways that companies can create change.

Data and insight must be followed by action. Impact for Change is all about the steps that follow measurement: the action that creates the change the business wants to see in the world.

By understanding the areas of greatest risk and opportunity, the business community can take targeted action to create better business in a better world.

Actions for enduring impact

The Impact for Change framework is a powerful resource to help shed light on the touchpoints between a business and society. It can yield fresh insights into how companies can add value to their businesses and make a real difference to communities around the world. The steps outlined in this report can be used by any

organization to measure, manage, and improve their impacts.

In addition to following the Impact for Change framework, there are a number of further actions that companies can take to build on the analysis and maximize their ongoing impact in the areas that matter.



STAKEHOLDER ENGAGEMENT

Generates useful feedback on any impact assessment and emerging solutions that have been identified. Engaging in a dialogue with critical friends sheds light on issues that may have been missed or require further elaboration.



ASSURANCE

Offers independent, external verification of data, programs, and reports. This third-party perspective builds credibility in the eyes of external stakeholders. Expert feedback on systems for data collection helps drive continuous improvement.



HORIZON SCANNING

Identifies upcoming risks and opportunities on a five to twenty-year timescale. Timely trend analysis informs impact assessment by helping to spot new issues that may be rising in significance due to technological, political, social, environmental, or economic changes.



SUSTAINABLE GROWTH PLANS

Integrate sustainability efforts with commercial priorities into effective business strategies. This action allows companies to harness the most promising impact areas to develop a resilient and responsible strategy for commercial success.



LBG

An internationally recognized framework that helps companies to measure and report corporate community investment. It is the global standard used by corporations to quantify their community programs' value to both their business and to society.

Further reading

Thought leadership available to download on our website



Mastering Resilient Growth

Creating Resilient Strategies

Future Business: The Four
Mega-Trends Every Company
Needs to Prepare For

The Power of Benchmarking



Inclusive Business

Bringing the Board on Board

Steps to Sustainable Success

From My World to Our World:
What the SDGs Mean for
Business

About Corporate Citizenship

Corporate Citizenship is a global business consultancy specializing in sustainability and corporate responsibility. The team uses expert insight and a simplified approach to sustainability to deliver growth and long-term value for business and society. With teams in London, New York, San Francisco, Santiago and Singapore we work with clients on both a local and global level to achieve their commitments to responsible business behaviors and sustainable practices. We advise on a number of areas including strategy, community, engagement, environment, supply chain, socio-economic impacts, reporting, and assurance – helping clients to make the smart choices that will enable them to survive and thrive in an increasingly challenging business environment.

For further information about the report and our services, please contact us at mail@corporate-citizenship.com

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Linnea is a Senior Consultant based in the New York office. She has experience in business strategy, socio-economic impact studies, assurance, and community investment. She holds a BBA from the University of Michigan with an emphasis in strategy. At Corporate Citizenship, she helps clients to evaluate industry trends, assess corporate performance, develop strategies, and identify key performance indicators to help advance their corporate responsibility objectives. Her recent clients have included companies such as AbbVie, Molson Coors Brewing Company, and McGraw Hill Financial among others.



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