RETURN ON INVESTMENT IN CORPORATE RESPONSIBILITY

Measuring the Social, Economic, and Environmental Value of Sustainable Business

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Measuring the Social, Economic, and Environmental Value of Sustainable Business

BY

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INVESTOR IN PEOPLE

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CHAPTER 1

INTRODUCTION

Corporate social responsibility has emerged over several decades, for the purpose of improving the image of organizations with their social actors (interested parties or stakeholders), as well as to demonstrate the social sensitivity of businesses and their creation of shared value; however, companies increasingly face the challenge of measuring this shared value of their interventions in the social environment in which they operate. If they successfully achieve this, they will have taken a huge step that will allow them to consolidate permanent sustainability and social responsibility policies.

Companies currently inform the impacts of their social responsibility projects through their annual sustainability reports or statements. These reports are presented with management or scope indicators, such as for an educational project, the presented indicators are the number of training sessions provided to the teachers of educational institutions, the number of books delivered to the children, etc., and the same occurs in health projects, where they tend to mention indicators such as the number of training sessions held for the families, the number of nutritional reinforcements delivered to the mothers and children, etc. The problems with these management indicators are the following:

- They do not show the impacts generated in the beneficiaries, and much less the change generated in other actors directly or indirectly affected in this type of intervention. This does not help to communicate the social value generated by the company to its community.
- They do not help to make social investment decisions. The executives who approve these investments are unable to see the multiplier effect of this social investment. Many of these executives manage financial indicators that help them make investment decisions and require the knowledge of financial indicators such as the return on investment to decide where to invest. If executives know the return on investment of a social project, they will have better judgment to decide where to invest and achieve a greater social impact from their investments.

The above does not mean that companies do not generate impacts with their social investments; on the contrary, companies are sure that they achieve a positive impact with these investments for many actors of their community and they also perceive that these actors obtain a profit as a result of their participation in these investments. In other words, the impact is in the field; it is present in many actors, but, until now, companies do not have a simple and objective tool that enables them to recognize said actors and their impacts, as well as calculate the social return on investment.

To cover this gap, the Social Return on Investment Management (SROIM) model is presented, which is a tool that enables social responsibility projects to be measured in a simple and systematic manner, and which is able to identify the real impact and measure the social return on investment of these projects.

SROIM will help companies improve the communication of the results of their social responsibility projects, and in that way demonstrate the value creation shared with their community. In other words, the first objective is to know the real impact of the social responsibility projects and the second objective is to determine their economic contribution through the social return on investment.

Additionally, SROIM has the following benefits for companies: demonstrates that its projects are win-win, improves the perception of the community with regard to the help received, improves the institutional image, validates the social investment with the results obtained, and improves the selection of social programs.

The objective of this book is to provide the necessary knowledge to measure the results of the social responsibility projects with the SROIM model. Therefore, the book has been divided in the following manner:

In Chapter 2 the philosophy on which SROIM is based is described briefly, using the story of Marriage as an example.

In Chapter 3 the SROIM model is presented, where the two main objectives of the SROIM are described, which are the visualization of the impacts and the calculation of SROIM.

In Chapter 4 how to achieve the first objective of SROIM is detailed: the visualization of the impacts; in other words, the main tools to be used are described, such as the social network, the sustainability indicators, and the life cycle of the target beneficiary. To illustrate the use of these tools, the Marriage project is used, which will enable these tools to be understood more easily.

In Chapter 5 shows how to achieve the second objective of SROIM, that is, the calculation of SROIM, which involves the gathering of information, the insulation of the intervention, the calculation of the monetary value and the social cash flow. In all cases, various examples are shown to understand the concepts behind this stage.

In Chapter 6 provides a series of application cases of the SROIM model in social responsibility projects in various aspects such as health, education, productive projects, and environmental project. In these cases, the development of all the stages of the SROIM model are presented.

Finally, in Chapter 7, the integration of the social programs is shown by means of the transversal impact indicators. This will provide organizations with an executive control matrix of their interventions.

It is hoped that this book complies with helping the various professionals to measure social responsibility projects in a simple and objective manner, thereby communicating these results better.