

BUSINESS MATTERS

MEASUREMENT OF SOCIO-ECONOMIC IMPACTS OF BUSINESS ACTIVITIES





TUETTU ULKOMINISTERIÖN
KEHITYSYHTEISTYÖVAROIN

© FIBS 2016

This publication is available online as a pdf document at

www.fibsry.fi/fi/palvelut/julkaisut

Layout: Ilove Creative Oy

This publication may be quoted freely when attributed to the publisher (FIBS). The publication may not be widely copied, distributed or sold in its current form or as a redrafted version without the permission of FIBS. The guidelines of this publication must be adapted in accordance with the in-house practices and due diligence obligations of the organisation. FIBS shall not be liable for any drawbacks that may arise from applying the content of this publication.

FIBS is Finland's leading corporate responsibility network. We help companies in making better business now and in the future: we provide information on new innovative ways to develop business and offer a unique chance to network and share practices with companies from different sectors as well as with other organisations. Our services include seminars, workshops and other events, education and development projects, newsletters and publications. www.fibsry.fi

CONTENT

Foreword	4
Acknowledgements	5
Socio-economic impact & why it matters to business	6
Business case for socio-economic impact measurement	7
Measuring socio-economic impacts in business context	8
Areas in which business impacts society	9
Case: A family farm affair	10
The process of socio-economic impact measurement	11
Defining the objective of the measurement	12
Defining the scope of the measurement	12
Creating a theory of change and a results chain	13
Choosing key metrics & tools, collecting and analyzing data	15
Case: Mkaa Mkombozi – a story of sustainable charcoal briquette business in tanzania	17
Assessing and reporting results	19
Case: Finding ways of assessing impact in welfare services – case Helsinki Deaconess institute	20
Stakeholder engagement	21
Early engagement	21
Role of NGOs in the process	22
Case: Anglo American – Stakeholder approach in the mining industry	23
Constant analysis of the relevance	23
Taking the SDG 's into account in the measurement process	24
Case: Connectivity and ICT on the road for sustainable development goals	26
Conclusion	27
References	28

FOREWORD

NO BUSINESS OPERATES IN A BUBBLE. Business drives socio-economic development – and socio-economic development in many ways impacts business success. The public and non-governmental sectors have acknowledged the importance of mapping and measuring the socio-economic impacts of their activities in a credible way – and have developed tools and practise in this field for decades. Recently, businesses have also become increasingly interested in measuring their impacts on society for a variety of reasons, ranging from reducing cost and risk to obtaining a licence to operate. Also, the stakeholder community, including current and future employees, NGOs and financing institutions, are increasingly asking about the links company operations have in the development of surrounding societies.

More and more business managers have started to understand the wider benefits of the positive impacts of business activities and the links the company's operations have with sustainability. Socio-economic impact measurement is a process during which a company can identify, measure and understand the impacts their operations have on surrounding society, helping them to better manage stakeholder expectations and risks.

Businesses have also been called to urgently address the world's sustainability challenges, including poverty, inequality, social unrest and environmental degradation – challenges that are listed in the UN Sustainable Development Goals (SDGs) published in 2015. Measuring of socio-economic impacts can be seen as a part of the follow-up and review process of how well companies are contributing and aligning their operations to the SDGs on global as well as local levels.

Businesses have a key role to play in providing the solutions the world desperately needs. The business sphere has enormous capacity and resources to have a positive impact on these challenges. This work can also lead to creating and capturing new business opportunities and long-term business profitability.

We have compiled this publication together with FIBS team members Kira Kareinen, Riikka Leppänen and Tuuli Nummelin. We hope it will provide you with basic information and inspiration to get started with measuring socio-economic impact and understanding its value to your company.

Helena Kekki

Manager, programmes and corporate social responsibility, FIBS

ACKNOWLEDGEMENTS

THIS PUBLICATION IS PART OF FIBS' seminar and workshop series on businesses' socio-economic impacts. It is compiled by FIBS using materials of the workshops in which FIBS member companies were provided with support to assess their socio-economic impacts. The publication also includes information extracted from the reports prepared by the students of Hanken School of Economics on the topic as well as case examples of FIBS' member companies.

We would like to thank the CEO Anne Bland from Uusia Network for co-designing and implementing the Impact workshops together with FIBS manager Helena Kekki. The insights from the NGO sector's experiences, presented by manager Niina Mikolanniemi from Plan International Finland were vital in demonstrating the potential of innovative partnerships between various actors in measuring companies' socio-economic impact. Thank you also to our guest speakers during the workshop: Outi Kuikanmäki from Helsinki Deaconess Institute, Joanna Kunttonen van't Riet from Anglo American and Kitrhona Cerri from WBCSD. Their insight into the topic were an invaluable contribution to the success of the series.

We would also like to thank the students from Hanken School of Economics: Gintare Baublyte, Erika Kjellberg, Osmo Kuusisto, Matias Laine, Nadja Mansour, Catharina Marschan, Sebastian Nyberg and Riikka Vertomaa for providing valuable background material for this publication. Finally, we would like to thank the Ministry for Foreign Affairs of Finland for providing the financial support that enabled us to carry out this important work.

SOCIO-ECONOMIC IMPACT & WHY IT MATTERS TO BUSINESS

BUSINESS AND SOCIETY are in symbiosis with each other. Daily operations and decisions taken by the company's management affect the everyday life of all of us as the **employees, customers, suppliers, distributors, retailers, and neighbours** of the businesses. Companies influence people's assets, capabilities, opportunities, health, wellbeing and standards of living. Companies also influence our cultures, communities and political system. This they do, for instance, by creating jobs, training workers, building physical infrastructure, procuring raw materials, transferring technology, paying taxes and lobbying political decision-making. Furthermore, companies play an important role in providing and expanding access to vital products and services ranging from food, medicines and healthcare to energy and information technology. On the other hand, societies offer companies an operating environment, workforce and markets, just to mention few examples.

Companies can have both **positive** and **negative** impacts on the societies around them. Are these impacts considered in your company's daily decisions?

BUSINESS CASE FOR SOCIO-ECONOMIC IMPACT MEASUREMENT

It makes **good business sense** to take advantage of the positive impacts and avoid negative impacts.

There are several reasons why companies are increasingly interested in mapping and measuring their socio-economic impacts¹:

- **Obtaining, maintaining or strengthening a license to operate.** A wide range of stakeholders increasingly expect companies to act in a responsible and transparent way, and to have a certain ethical obligation towards the society. Socio-economic impact measurement process can help companies to understand and live up to these expectations. A good relationship between business and society can have valuable benefits for companies, especially on the long-term. Socio-economic measurement can become a competitive advantage if companies can meet their stakeholders' expectations and manage their risks proactively.
- **Demonstration of value creation to the society:** Socio-economic impact measurement process provides companies with valuable performance indicators to show concretely how company activities can benefit the local communities and society at large. Being aware of the key contributions to the society and having a trustworthy measurement process helps companies in demonstrating and communicating the value creation to the society in a more strategic and concrete way – and thus allows companies to utilize this information in their business approach, communications and stakeholder relations.
- **Improving the business environment.** Companies cannot succeed in societies that fail. Therefore, companies benefit from contributing positively to the societies they operate in. This way companies have a chance to show which public policy goals they support through their own business, how they could contribute to the development of better public services and what kind of incentives would be needed to enhance the business environment.
- **Taking a head start in the competition of sustainable business.** The companies that can credibly communicate about their solutions that contribute positively to the sustainability challenges faced by our society are likely to get a significant head-start in the competition to capitalize the business opportunities delivered by recently launched Sustainable Development Goals of the UN. The Goals list a comprehensive set of challenges to which commercially produced solutions are in high demand. Many companies have recognized sustainability as a driver for growth in a larger and longer-lasting scale.
- **Strengthening value chains.** Information collected throughout the mapping and measuring process from the different parts of the value chain can help companies to evaluate stability, compliance and growth capacity of their suppliers, distributors and retail partners. By identifying the vulnerabilities and risks in their value chain, companies can address them early enough and therefore mitigate risks better.
- **Fuelling product and service innovation.** Socio-economic impact identification and measurement process can help companies to understand the needs and expectations of the market and different stakeholders. This understanding helps companies to develop more suitable products and services for their customers, and to answer better to the needs of the market by innovative business and revenue models.
- **Avoiding risks.** Company's negative socio-economic impacts often create risks, costs and harm the company's brand and value. It makes business sense to identify the negative contribution and avoid them as part of the risk management strategy.
- **Measuring socio-economic impacts makes good business sense, since what gets measured gets managed.** Identification of social impacts is the first step towards understanding and improving the social, environmental, economic and financial performance of the company.

For these reasons, business managers are becoming increasingly interested in evaluating the socio-economic impacts of their companies' operations and decisions more widely than before. However, many of them struggle to understand **how to identify companies' key societal impacts, and how to manage them better.**

MEASURING SOCIO-ECONOMIC IMPACTS IN BUSINESS CONTEXT

Socio-economic impact in a business context refers to the changes in the assets, capabilities, opportunities, and standards of living that have occurred because of a business operation. Socio-economic impacts of a company can be **positive or negative, direct or indirect, intended or unintended, temporary or sustainable**² over time.

Companies' impact on societies is either **direct** or **indirect**. For example, a factory that impacts its surrounding areas **directly** by building infrastructure and offering local services can **indirectly** affect the health and livelihoods of the people living miles away from the actual factory by, for instance, paying taxes and employing people through their supply chain. Similarly, a company's purchasing officers' decision can have an indirect effect on the working conditions and wellbeing of those working in the supplier company. Sometimes such impacts are **intended** and include a strong business acumen. However, in some cases companies deliver socio-economic impacts **unintendedly**, especially further down in the value chain. The decisions and actions taken by companies will nevertheless affluence societies either **temporarily** in short-term, or **sustainably** in long-term. For instance, a new service or product a company offers can change their customers' lives in the short term. Established product and service models can, however, change people's ways of doing certain things in the long run too, especially with the rise of new technologies.

Usually the focus of the mapping and measurement exercises is on the long-term effects of business activities.



Impacts can be

- Positive / Negative
- Direct / Indirect
- Intended / Unintended
- Temporary / Sustainable

² WBCSD, 2013

AREAS IN WHICH BUSINESS IMPACTS SOCIETY

The simplified figure below illustrates the variety of areas in **which business decisions and operations may contribute to both negative and positive socio-economic impacts.**



Figure 1 Examples of potential socio-economic impact areas of a business, *source FIBS*

The listed socio-economic impact areas in the above figure present both risks and opportunities from a company's point of view. In the worst case, negative socio-economic impacts might lead to a risk for both the affected people and the business bottom line. For instance, neglected health and safety processes can harm employee health and even cause death. On the other hand, businesses' positive socio-economic impacts can lead to opportunities for both people and business. For instance, fair pricing and terms in value chains can lead to better working conditions throughout the supply chain, and therefore to more committed and reliable supplier relations – which with no doubt also benefit the purchasing company.

CASE

A FAMILY FARM AFFAIR

SINCE 2008, VERACEL, STORA ENSO'S JOINT VENTURE in Brazil has worked with local authorities and NGOs to find the best ways to support the communities around its plantations in the region of Bahia. Stora Enso's tree plantations influence local land use, livelihoods, and ecosystems. These impacts must be managed responsibly in order to maximize their positive influence and to maintain long-term community relations. As there are few options for livelihoods besides cattle ranching, helping family farms was a natural starting point to support the community in Bahia.

Roça do Povo, or The People's Farmlands, began as an effort to boost the growing and further processing of cassava and to increase the incomes of local farming families as well as making good use of the retreat areas of eucalyptus plantations near the communities. Key partners have included the municipality of Itagimirim, the Bahia Agricultural Development Movement (EBDA), and the regional bank Banco do Nordeste.

Together with its partners, Veracel leased 80 hectares of its land to the Association of Small Farmers of Bahia, who represent the communities involved in the Roça do Povo project. Local farmers then received technical training and institutional support from state and federal agencies, also promoting the cultivation of other crops besides cassava.

Roça do Povo project has grown considerably from its initial scale of 54 farming families to serve over 80 families. The project has created jobs for about 500 people, making farming the most important source of income in the community. The Roça do Povo families have saved over 82 000 EUR in payment incentives granted by the National Family Farming Programme PRONAF, and witnessed an increase of 85 000 EUR in annual product sales. Farming villagers have also been able to invest 275 000 EUR in community property such as tools, ovens and entire buildings.

The Roça do Povo community is now self-supporting, and the largest producer of flour and starch in the region. The farming families are branding and marketing their products on their own and selling them directly to supermarkets and other retailers.

Find out more: www.storaenso.com/sustainability/stories/a-family-farm-affair



Figure 2 Roça do Povo project supports family livelihoods in Brazil, Copyright: Stora Enso

THE PROCESS OF SOCIO-ECONOMIC IMPACT MEASUREMENT

MEASURING SOCIO-ECONOMIC IMPACT is a long-term process that requires constant reflection of the relevance of the process, stakeholder engagement and time. In this chapter, the process of mapping and measuring socio-economic impact is briefly described. The figure 3 below illustrates the approach that consist of the following steps:

- Defining the objective of the measurement
- Defining the scope of the measurement
- Creating a theory of change
- Defining key metrics
- Collecting and analysing data
- Assessing results
- Reporting results

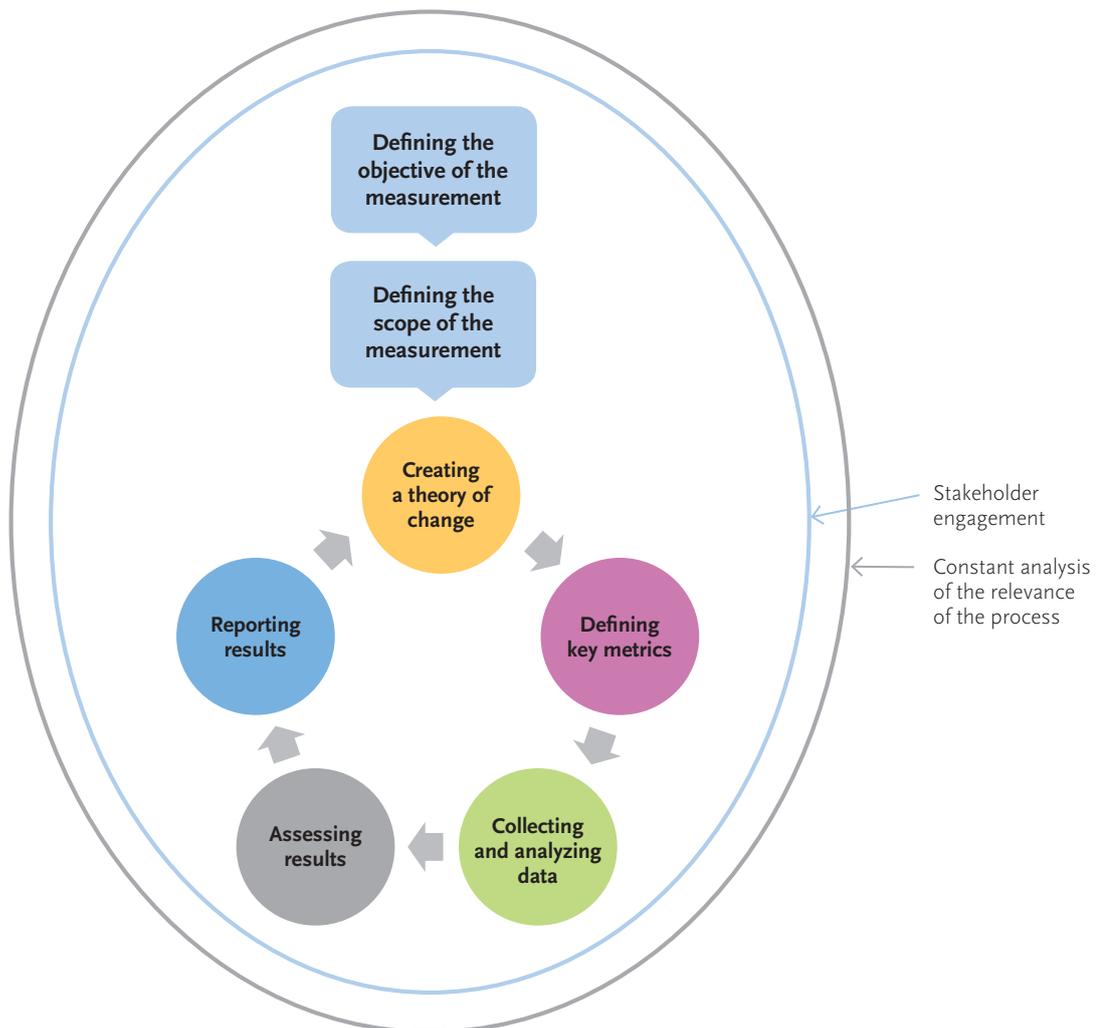


Figure 3 Socio-economic impact measurement process

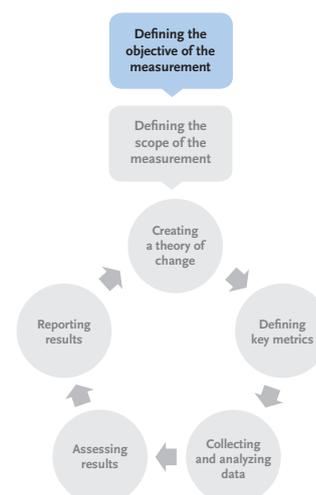
DEFINING THE OBJECTIVE OF THE MEASUREMENT

Before moving to the actual impact identification and measurement process, it is important to define the objective of the measurement – what does the company want to achieve by mapping and measuring its socio-economic impacts?

A company's reasons and objectives for starting to map and measure socio-economic impacts are usually threefold:

1. **Learning** – understanding whether the company's actions have desired or undesired impacts on the society (e.g. risks and opportunities to the business).
2. **Action** – understanding the current situation to support better decision making and to guide planning of future business activities.
3. **Accountability** – demonstrating the performance and impacts of company's actions to the stakeholders and regulators and to create stronger relationships with the stakeholder community.

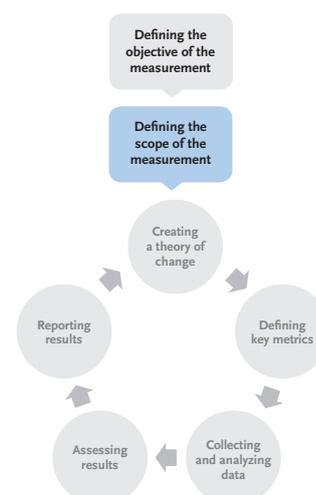
The outcome of the measurement process should be a set of quantitative and qualitative information that guides better decision making in the company.



DEFINING THE SCOPE OF THE MEASUREMENT

Socio-economic impact measurement process can be time-consuming and resource intensive. The scope of the measurement exercises can and should therefore be limited. Scope can vary from anything from a single decision (e.g. supplier selection) or policy (e.g. recruitment policy) to new large scale investment decision or a part of it, or research and development project. The scope of the exercise can also be limited to measure the impacts of a certain product, value chain, unit or country of operation, and so on.

It makes sense to measure only those things that will affect company's decision-making. The scope of the study should be linked to the overall strategy of the company as closely as possible. It is therefore better to keep focus on the core activities of the business, rather than on philanthropic, project based activities.



Therefore, a company should carefully consider the following details:

- What is the overall strategy and mission of the company?
- What are the questions you would like to be answered once the study is conducted?
- Who will be using the data you are collecting through the study?
- What kinds of decisions will be made based on the data available? What do the data users expect from it?
- To whom are the end results communicated? Company's internal stakeholders, clients, investors, external stakeholders, authorities or some other stakeholders?
- What kinds of resources will be available for the measurement process (time, in-house human resources, external partners, support from the management, money for consultancy fees, etc.)?

CREATING A THEORY OF CHANGE AND A RESULTS CHAIN

Once the scope of the study has been defined, the next step is to understand how relevant business activities translate into socio-economic impacts.

There are many ways of modelling an impact process, but all of them are somehow based on the **theory of change** model, a tool to utilize in modelling the causality of business activities – in other words, to find out how the activities carried out in the companies result in long term impacts.

The model can be used in identifying, modelling and collecting evidence on **negative** and **positive** impacts caused by company’s activities.

Usually the theory of change process of socio-economic impacts consists of five different steps or stages, which together form a **results chain: input, activity, output, outcome, impact**. The stages are further elaborated in the Figure 4.

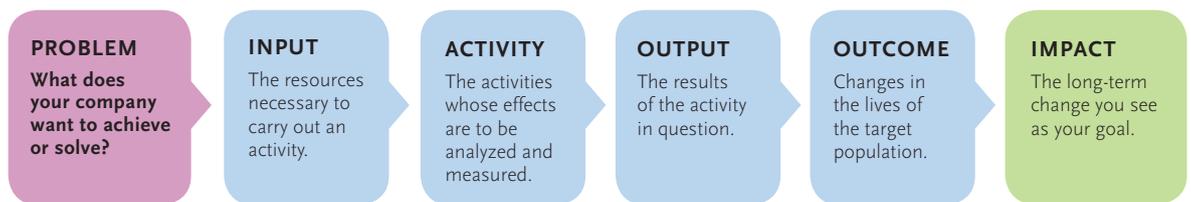
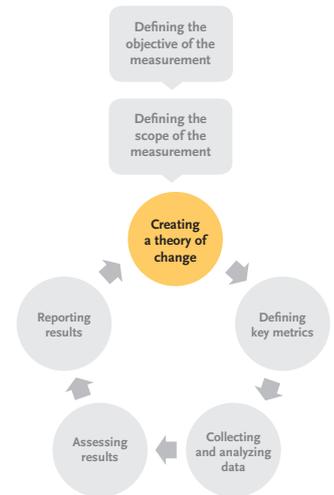


Figure 4 Theory of change: Translating business activities into socio-economic impacts.

The model can be used when a company wants to find a way to create certain **positive impacts (or solve an existing problem)**. For example, in a service design process, a company could use the model to identify how the product could improve the socio-economic wellbeing of people affected by the service. Also, the model can be used to identify what are the current impacts of the activities or decisions being carried out.

As the Figure 3 indicates, **Inputs** are things that the company uses to implement activities. For example, in a **service design related project**, inputs would include things like human resources (personnel) dedicated to research and development, finance, machinery such as computers, laboratory equipment and so on. Inputs ensure that it is possible to deliver the intended activities of a project. **Activities**, on the other hand, are actions associated with delivering project goals. In other words, they are what the personnel/employees do in order to achieve the aims of the project. **Outputs** are the direct results of the activities. In other words, they are usually what the project achieves in the short term. **Outcomes** are the results associated to a project. Outcomes can be understood as lasting changes in the lives of people, while **impacts** as lasting results achieved in the lives of impacted persons or groups. Impact-level change can take a long time to materialize.

Below in figure 5 is another example that showcases the theory of change logic in a dam building case.

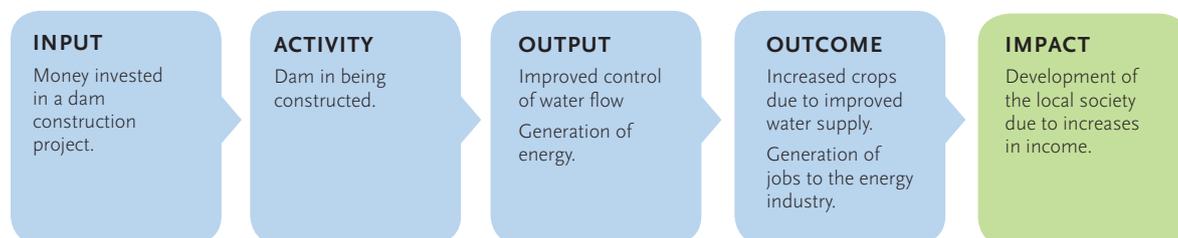


Figure 5 Example of a results chain for a dam construction project³

Another example is shown in figure below. The results chain indicates an example of how a company can create a results chain related to on-the-job accidents and injuries. In the example the company has invested in supplier training that increases the policy implementations of suppliers, leading to decreases in on-the-job accidents and injuries.



Figure 6 Example of a result chain for a supplier training project

As mentioned, usually the model of input – activity – output – outcome – impact is being used to create a theory of change for a project. However, the results chain could also be described in other steps and causalities must not always be linear. Especially activities tend to lead to a variety of outputs, and not only to one, and each of these outputs tend to lead to several outcomes.

When thinking about the causality, the company could think about the following points⁴:

- What is the result of company's activities vs. what would have happened in any case?
- Some impacts can be very difficult to measure and conceptualize
- There can be unintended and sometimes conflicting impacts: for instance, a new metro station can improve the access to public transportation, but at the same time it can change an area's demography or living costs

³ results chains are modified from WBCSD, 2013

⁴ adapted from Reeder and Colantonio (2013)

The key is to find those factors that are most relevant for the exercise in question.

It is also important to notice that **creating a theory of change and a result chain** for a specific measurement exercise is typically a marathon, not a sprint. This is because it is challenging to create a perfect theory of change at one go. Typically, the results chain frameworks of a specific project goes through many revisions before the company has identified the most important aspects to be measured.

CHOOSING KEY METRICS & TOOLS, COLLECTING AND ANALYZING DATA

In order to assess the impact, measurable indicators or key performance indicators can be created for each step of the theory of change. The further the impact value chain is followed, the more external variables come to play and the less power the concerned company has on evaluating their impact.

Once the company has identified the most relevant issues along their result chain, it is time to choose good indicators that can be used for demonstrating progress in the achievement of the outcomes and finally the impact.

There are some key details that make an indicator good:

- **Preciseness** – a good indicator is well defined and commonly understood. Ambiguous indicators do not serve the process.
- **Trustworthiness** – a good indicator yields consistent results on repeated trials and attempts
- **Accuracy** – a good indicator measures what it is intended to measure

The Figure 7 below, though not exhaustive, provides few examples of how to measure results along results chain.

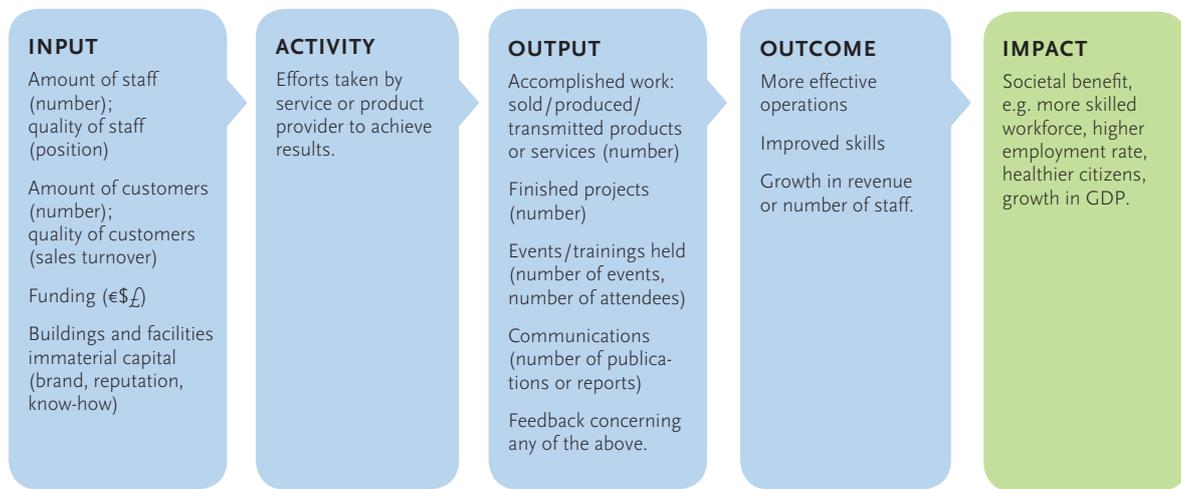
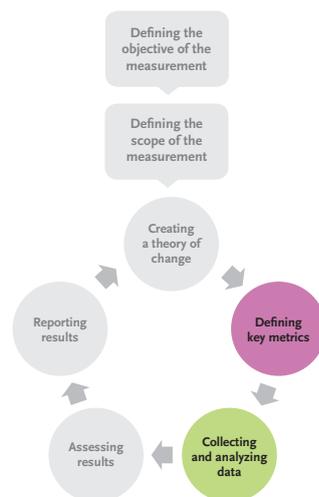


Figure 7 Measuring process throughout the theory of change

There are well over 100 tools at hand that can be used to choose indicators and analyze data. The wide range of tools can also add to the difficulty of choosing among them. However, there is no need to stick with just one tool, but rather to modify and mix them to create an optimal way of socio-economic impact measurement for each company. In the end, it is the result that matters, not the methodology or the tool used.

Below is a list of some of the most common tools available:

TOOL	DESCRIPTION OF THE TOOL
<u><i>Base of the Pyramid Impact Assessment Framework</i></u>	The measurement and understanding of how a business influences the local distributors, surrounding communities and the poverty of customers in different dimensions.
<u><i>Impact Measurement Framework</i></u>	Sector-specific frameworks identifying relevant socio-economic impacts, indicators and metrics for four strategic business drivers (growth, efficiency, productivity, responsibility and operating environment). Frameworks are available for agribusiness, power, financial services and ICT.
<u><i>Impact Reporting and Investment Standards (IRIS)</i></u>	Generic and sector-specific libraries of socio-economic "activity" and "output" indicators and metrics, with standard definitions.
<u><i>SDG Compass</i></u>	The compass presents five steps that help companies to understand the SDGs, define priorities, set goals, integrate, report and communicate their work towards the goals.
<u><i>Measuring Impact Framework</i></u>	The framework of defining the focus of an assessment, identifying indicators for socio-economic impact, assessing the results as well as prioritizing issues for the management to respond to.
<u><i>GEMI Metrics Navigator</i></u>	A framework and guidelines for identifying, measuring, assessing and prioritizing environmental and socio-economic impacts for management purposes.
<u><i>Poverty Footprint</i></u>	Evaluating and understanding the company's impact, when working in cooperation with a development NGO, on a poverty reduction.
<u><i>Progress out of Poverty Index</i></u>	The calculation of the percentage that live below the poverty line, for example calculating suppliers, customers or other populations of interest.
<u><i>Socio-Economic Assessment Toolbox (SEAT)</i></u>	The management and measurement of local impacts of operations on site level.
Input-Output Modeling	On a particular national economy, calculating the economic value added by the company itself as well as the supply chain and the total amount of jobs supported. <i>Various academic texts and papers providing insights on Input-Output modelling.</i>

Table 1 Most common tools available to help in the process of measuring impacts
(Source: modified from WBCSD 2013)

CASE

MKAA MKOMBOZI – A STORY OF SUSTAINABLE CHARCOAL BRIQUETTE BUSINESS IN TANZANIA

CHARCOAL BRIQUETTES TANZANIA LTD (CBTL) is a joint venture by the Finnish consulting company Gaia Consulting and ARTI Energy that was incorporated in 2014. Recognizing the need for a new approach to address sustainability challenges, CBTL produces, develops, markets and sells sustainable charcoal briquettes made out of agricultural and other biomass residues. These sustainable charcoal briquettes offer a viable alternative to traditional wood-based charcoal, which continuously accelerates deforestation and jeopardizes long-term energy security. By creating sustainable energy business in Tanzania, the business contributes to support local livelihoods and provides income opportunities for thousands of people.

Every current user of traditional charcoal is a potential new buyer of sustainable charcoal briquettes. Products are marketed under the brand Mkaa Mkombozi, a Tanzanian Registered Trademark, with a clear focus on three main target segments: private organizations (hotels, restaurants and industry), public institutions such as schools and prisons, and retail. CBTL exhibits a growing and expanding client base and towards the end of 2016, the company is very well positioned for further expansion. Holistic value creation, which takes into account the social, economic and environmental impacts is the key to long-term success for Mkaa Mkombozi.

Business model development has had an integral role in building the charcoal briquettes a success. The model creates the right incentives, supports strategic collaboration, gives positive conditions for partners to invest in the endeavour, and, ultimately, enables sales of sustainably produced high-quality briquettes at an affordable price. The business model includes improved briquette production techniques and creating an up-scalable and replicable sustainable business around environmentally and socially sustainable charcoal briquettes. The innovativeness of the business model lies in creating new sustainable value chains, as well as in the scale and simplicity of CBTL's operations in Tanzanian contexts.

Socially value creation takes place in a number of areas. Reduction of indoor air pollutants means improved health and better households working conditions, women make up approximately 50 % of the staff in char powder production promoting gender equality in rural communities, and briquette production staff gain stable incomes, and can for example for the first time of their lives open bank accounts.

Economically, the sourcing and production operations of Mkaa Mkombozi build management skills and capabilities of labour, create income opportunities for poor urban youths and char powder producers in rural areas, and present monetary savings compared to traditional charcoal. To date, some 1500 people have been trained in sourcing operations and about 40 staff are employed in briquette production; also, women make up app. 50 % char powder production and production staff.

CBTL has also developed and implemented a sustainability framework to support operational and strategic development as well as monitoring and follow-up, based on IFC's⁵ sustainability framework and the standards and guidelines of ISCC⁶. CBTL's sustainability criteria are guiding the framework in defining and continually assessing company's sustainability level. Indicators/KPIs execute continual follow-up when it comes to operating profit and gender balance. The sustainability framework is reviewed

5 International Finance Cooperation

6 International Sustainability and Carbon Certification (ISCC) is a certification systems for sustainability and greenhouse gas emissions. It can be applied to meet legal requirements in the bioenergy markets as well as to demonstrate the sustainability and traceability of feedstock in the food, feed and chemical industries.

CASE

at regular intervals by the company management in order to track improvement and identify areas of improvement. Indicators include, for example, occupational health and safety performance, working conditions and terms of employment, and supply chain's sustainability related to natural resources and food chains among other measures. The indicators are followed through company's management information system and production reports.

CBTL's work policies represent high quality by Tanzanian and international standards. The labour has full rights for organization, and an elected staff member represents staff interests to the management. Employment principles consider equality in gender, origin, ethnicity and disability leading to a versatile and balanced band of staff. Protective gear is provided to the workers, and safe and secure working methods are applied throughout the production chain. Emergency response and first aid equipment is installed at production sites, and the sites have been inspected by appropriate authorities. People have free access to clean food storage areas and designated dining areas, hand washing facilities and drinking water. On top of this, all workers are provided meal allowance (breakfast and lunch) and those who live further away, receive transportation allowance.

CBTL's rationale is to combine good business sense with sustained and lasting development impacts to make viable, growing business. CBTL is pioneering the establishment of a new industrial sector with immense socio-economic benefits, not only for Tanzania, but in countries beyond. Mkaa Mkombozi presents a proven, sustainable alternative to traditional charcoal and holds considerable market potential. A business case that rests on economic, social and environmental sustainability provides a solid foundation for further up-scaling of production and sales. A key learning point has been the role of partnership in designing the business case and model. Partners need to be engaged and cared for, in order to build the necessary trust for further developing company activities. Mega trends are more present in Africa than anywhere else – also social and environmental awareness is already there. The CBTL showcases that with good partnerships, companies can successfully plan, develop and execute business models with shared benefits and common good.

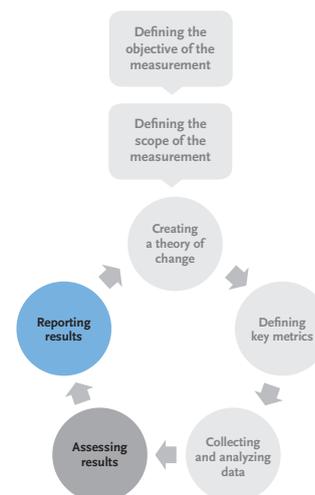


Okoa Pesa | Okoa Afya | Okoa Mazingira

ASSESSING AND REPORTING RESULTS

Socio-economic impact is not all about numbers and indicators, but rather an opportunity to tell powerful stories and narratives of sustainability and organizational learning. These stories can enhance employee engagement and be beneficial for company's brand and reputation.

The integration of socio-economic impact measurement into company's daily operations begins with communicating internally on the measurement process. It is important that all the actors from managers to employees understand how their role is linked to the process, why they are doing what they are doing and how the measurement and subsequent results will affect their welfare and jobs.



The communication of the results depends much on the objective and target groups, and there is no single right or wrong way to do it. However, it might be useful to consider the following tips when assessing and reporting the socio-economic impact assessment's results internally and/or externally:

- Create a common understanding of the word “impact” in the company case. In many cases the term is mixed with outcomes or outputs, and it eases the communication if the terms are understood commonly.
- If possible, try to validate the results at the end of the process. Others should be able to end up with same conclusions as you have during the process.
- If you choose to publish the results of the measurement process to external stakeholders, be transparent about how and why you chose the metrics you used and the possible assumptions you made during the process. Explain the relationship between your metrics and the types of value your company wishes to create. Help your internal and external stakeholders understand your thinking, so they can provide more useful feedback.
- Welcome feedback and try to learn from it. Engage your stakeholders to a constructive dialogue with questions such as “Is this how it happens from your perspective?”, “Are there any other variables we might have missed in the assessment?”, “Are outputs and outcomes good proxies in this case?”.
- Report only those things that are meaningful and relevant – nothing more. Keep it simple.

Accept that socio-economic impact measurement process is ongoing, and the first results only set the baseline for the next evaluation – it is all about finding the best practices that suit your organization's needs.

CASE

FINDING WAYS OF ASSESSING IMPACT IN WELFARE SERVICES

— CASE HELSINKI DEACONESS INSTITUTE

HELSINKI DEACONESS INSTITUTE is a public utility foundation and a multifaceted social enterprise providing wide-ranging social welfare and health care, e.g. child and youth welfare services, housing, substance abuse services and mental health programmes.

A couple of years ago the need for being able to express the impact of the organization's activities arose and Helsinki Deaconess Institute decided to focus on three services: child protection and family work, housing and youth welfare services. These activities were chosen because the work was consistent and well defined, but also because at the present municipalities pay for activities, like visits or days in care, but Helsinki Deaconess Institute would prefer to be paid for the impact it makes. This is foreseen as a future mechanism in purchasing public welfare services.

As a starting point, Helsinki Deaconess Institute wanted to define the impact for all the stakeholders, especially for municipalities, who pay for the services and the clients themselves. It set out to define both the social and the financial impacts of the services, but the latter turned out to be really challenging.

Helsinki Deaconess Institute used an online tool, Sofie, which is based on SROI and social accounting. It had a team in each service involved in impact evaluation. As it turned out, the process took a lot more time and effort than realized. On the other hand, the process was the most useful in helping each team to find a shared view of the activities, the impact and the theory of change within the service. The process also forced to define exact and consistent measurements.

Helsinki Deaconess Institute was able to define the social impacts in Housing and Child protection and family work, and both the social and financial impact to some extent in Youth services. The results of social impacts confirmed the views in advance, and Helsinki Deaconess Institute found a nice uniform way of showing the results. Financial results, however, remain an enigma, that will need further processing.

At the moment, Helsinki Deaconess Institute takes part in other processes dealing with impact evaluation (Hyvän Mitta -hanke, Sitran Vaikuttavuuskiihdyttämö) as well, and has realised that it needs to take a more multifaceted view on impact evaluation. It needs to take into account e.g. statistical analyses and the IOOI -model. Helsinki Deaconess Institute aims at a complex but simple way of showing the overall impact it makes. It also needs to improve the evaluation of financial impact to be able to sell impact instead of activities.

STAKEHOLDER ENGAGEMENT

Before starting to engage stakeholder groups, it is worth defining what stakeholder engagement means to your company. Stakeholder engagement has traditionally been seen as a byword for public relations or reputation management, but in this context it should be seen as a tool to gain fresh viewpoints regarding your business performance and impacts. Engaging with stakeholders enables the company to receive important feedback on company's activities and learn about key stakeholders' concerns and specific expertise from stakeholders.



Figure 8 Process of engaging with external stakeholders during the socio-economic impact measurement. *Source: Hanken study.*

The first, and maybe most crucial stakeholder engagement is to identify the stakeholders either directly or indirectly affected by the intended actions, or the groups that might have a strong opinion even though not affected. The key stakeholder groups that hold most relevance to each measurement process vary case-by-case. Specific stakeholder groups should be defined per the industry and the type of impact evaluation in questions.

In order to efficiently communicate with stakeholders, it can be beneficial to assign specific representatives from concerned groups and to communicate and consult with these persons. Once the relevant stakeholders have been identified, it is important to know what the stakeholders want to know: this helps the company to focus on the right issues throughout the measurement process. Stakeholder interest may vary among very different impacts: labour unions are mostly concerned with long-term employment and maintaining decent work conditions, whereas environmental NGOs are more keen to evaluate the company's impact in nature and biodiversity. It is therefore crucial to find out and understand what "impact" means to the concerned audience.

EARLY ENGAGEMENT

Many companies have reported that involving key stakeholders already in the very early stage of the measurement process is crucial for the success of the process. Stakeholders should be part of socio-economic impact analysis right from the planning stage to the integration of evaluation results into daily operations – as both **internal and external stakeholders are usually the reason why company engages in measuring socio-economic impacts** in the first place.⁷

⁷ information adapted from BSR (2012)

It might be wise to start with collecting a diverse internal group to assess and manage the process as a team. Before you start, set goals for your work to follow-up on your team's success.

There are three tactics to approach different stakeholders:

- **Engage** stakeholders with whom engagement is necessary
- **Communicate** with stakeholders that have a high willingness to engage or a high level of expertise but who have not yet participated in dialogue with your company
- **Inform** stakeholders who seek information only instead of a conversation

Stakeholder dialogue can be set up in various ways, for instance:

- Focus groups on for stakeholders that are interested in specific topics, for instance related to a certain raw material or geographical area
- Opinion polls and questionnaires
- Formal meetings and interviews
- Strategic partnerships with selected key stakeholders and stakeholder networks

ROLE OF NGOS IN THE PROCESS

Measurement of socio-economic, and especially social impact is not straightforward – information is needed from different sources and from longer period of time before any kind of conclusions can be drawn. It can be challenging for a company to collect information on their socio-economic impacts as there might be, for example, mistrust and fears that open feedback will hurt the local communities. It might therefore be beneficial to cooperate with NGOs who have information of the region of interest and may have already created a network for information flow and might also have direct contacts to local communities. With help from NGOs it might be possible to collect information for setting the baseline – what were the conditions before company started to operate in the area, and similarly later on when evaluating the resulted impact. Unlike representatives of companies or consultants hired by companies, NGOs can presumably be considered as neutral parties, not in favour of local communities or corporations operating in the area of interest (PLAN International Finland, 2016).

Collaboration with NGOs can therefore be beneficial not only to collect information but also to distribute information from a concerned company as information coming from a neutral party might be considered more trustworthy compared to direct information from companies (PLAN International Finland, 2016). Third party stakeholders can also be utilized when planning and validating measurement indicators or alternatively when assuring the validity of the measurement results (Unilever, 2016; IFC, 2007). To draw together, it could be beneficial to collaborate with NGOs during the measurement process as partners and communicate information together, so that information flows to both directions, from companies to communities and vice versa.

CASE

CASE ANGLO AMERICAN

— STAKEHOLDER APPROACH IN THE MINING INDUSTRY

ANGLO AMERICAN IS A GLOBAL MINING COMPANY with core assets in Platinum, diamonds and copper, and noncore assets in iron ore, coal, and nickel. Situated 150 km north of the Arctic Circle in Finland, the Sakatti project is a significant copper-nickel-platinum group elements discovery made by the company. The mineralization's location in a Natura 2000 and mire protection area brings with it significant environmental and social challenges.

The project is still in the exploration phase and a great deal of work needs to be done before a mine could be developed. However, as Anglo American carries on with its work at Sakatti, it continues working together with local partners and stakeholders to develop best practices in responsible modern mining.

At Anglo American, the commitment to sustainability and partnership as well as open, honest engagement with stakeholders is at the core of its values. It is central to how the company thinks and it is at the heart of how it conducts business. Anglo American firmly believes that working in partnership is the best way to develop its projects. Since Anglo American started working in the Sakatti region in 2004, the project teams have worked extensively and systematically with a range of stakeholders including the regional and municipal government and local communities including land owners, reindeer herders and other land users. The team in Sodankylä always welcomes and values input and feedback from the local community and strives to keep everyone informed about project and its activities. Anglo American is committed to open communication in informal and formal meetings to understand the influence on stakeholder groups and embrace cultural heritage and traditional knowledge.

Anglo American plans to have more formal meetings as the project progresses and hopes this will ensure the company is able to connect with a broader group of stakeholders in the community. The goal of involving stakeholders is to ensure more sustainable and acceptable planning, which is also risk management. In addition to following legal requirements and globally accepted best practice standards, the company uses its own assessment methods, such as the SEAT -toolbox (Socio Economic Assessment Toolbox), which includes tools for identifying, managing and monitoring social impacts.

CONSTANT ANALYSIS OF THE RELEVANCE

Measuring socio economic impact is a circular process that requires constant critical viewing. Circumstances that are affecting company's socio-economic impacts are constantly altering due to changes in company's external environment, e.g. in world politics or economy. These changes are not controllable for a single company. Therefore, socio-economic measurements should be constantly analysed and modified to reflect changing circumstances.

The following questions should be reviewed throughout the process:

- Are we measuring the right thing with the right tools?
- Who is this process serving?
- Are we engaging the right people?
- Can we implement these results into our day-to-day business operations?
- How can we improve our metrics on the next round of socio-economic impact assessment?

TAKING THE SDG'S INTO ACCOUNT IN THE MEASUREMENT PROCESS

IN THE FALL 2015, The United Nations General Assembly announced Sustainable Development Goals (SDGs) to promote sustainable development in the world. The SDGs are a bleak summary of the current state of the world and the challenges we are facing. They outline 17 global sustainable development challenges that are described in more detail through 169 sub-targets. The goals are an account and a working plan of what has to be done globally over the next 15 years in order to ensure a humane and environmentally and economically sustainable future.

The SDGs encourage all actors across borders to align their operations in line with the goals to ensure a more sustainable future. Businesses hold a crucial role in delivering the SDGs, and many forerunner companies have already taken actions to integrate the goals into their core strategies.

The SDGs emphasise the fact that **no development is sustainable unless economic, environmental and social aspects are in balance throughout companies' value chains**. Many of the goals are so tightly connected to businesses that their active contributions to them are extremely essential. **There is no hope for achieving the SDGs unless the private sector commits ambitiously to the SDG agenda.**



Figure 9 The Sustainable Development Goals. Source: United Nations.

Many of the sustainable development goals are directly linked to companies' daily activities: sustainable consumption and methods of production, youth unemployment and decent work regulations are among the themes covered by the goals and ones which company decision-making influences directly.

However, only one of the 169 targets is specifically mentioning business:.

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle (United Nations, 2015)

Measurement of socio-economic impact could be used to see how companies' actions are in line with the targets set in the SDGs. The goals challenge companies to evaluate the impact of their decisions, processes and products throughout their value chains – from the source of raw material to the final stage of the product's life cycle. In other words, it is not enough that the company's own personnel are fairly treated, if a peak to the supply chain in developing countries exposes exploitation of child labour, discrimination due to gender or race or inhumane working condition – let alone slavery. It is not enough to be a good tax-paying corporate citizen in Finland but resort to bribes and illicit facilitation payments elsewhere.

The goals can be seen to create a new kind of pressure to take sustainability questions into account. The SDGs offer companies an ideal framework to consider what is essential for their stakeholders, pick what is relevant to their own operations, and incorporate these into strategies, projects and management practises.

The SDGs have quickly gained ground in the business community. Many companies are already implementing the Sustainable Development Goals in their action plans and strategy targets.

The goals open endless opportunities for new innovation and business action. They will undoubtedly increase investment and funding for more sustainable solutions related to, for instance, health care, education, water supply management, sanitation etc. The companies that can credibly communicate on their solutions for socio-economic improvements are likely to get a significant head-start in the competition to capitalise the business opportunities delivered by sustainable development.

Are you already aware of what is your company's contribution to more sustainable future?

CASE

CONNECTIVITY AND ICT

ON THE ROAD FOR SUSTAINABLE DEVELOPMENT GOALS

CONNECTIVITY AND INFORMATION and communications technology (ICT) enable reaching many Sustainable Development Goals (SDGs) in various ways and as a global telecommunications company, Nokia has been pondering the relation between operations and the SDGs. It has been noted academically that there is a significant potential for an impact on sustainable development through connectivity and information and communications technology (Ylä-Soininmäki, 2016).

The Internet of Things (IoT) provides exceeding opportunities for sustainable development. The goals are important and necessary, but they “will not be achieved unless we are able to harness the power of technology to accelerate the process”, said Rajeev Suri, president and CEO of Nokia (Nokia, 2016c). Connectivity plays a very significant role in aiding to reach the goals. Connectivity and ICT are strongly intertwined and depending on the area ICT is used in, it can allow the use of cloud technology and create new possible opportunities for areas that are still in developmental stages (Nokia Networks, 2015a).

Wireless mobile technology enables access to Internet and information, and reaches people from remote geographic locations. Nokia and a NGO Global Giving had a project to give children in rural schools in Ghana solar powered libraries and computer classes. This project will enable 1800 children to access the Internet through a solar powered mobile library van. (Nokia, 2015d)

Mobile technology can help people stay healthy and improve health as well as place health information and services within their reach (Nokia Sustainability Report 2011). Nokia's data gathering software has helped to diminish dengue fever cases in the Amazon: the amount of cases decreased by 93% in 2011. If Internet access in Africa, Latin America, India and South and East Asia reached the same levels than in developed countries, it could save millions of people due to improved health literacy. (Ylä-Soininmäki, 2016)

Nokia supports Save the Children, an NGO in India, with technologies striving to protect children and communities during disasters. The aim is to mitigate the impact of disasters by assessing communities' vulnerability (physical, social, medical, economic and cultural), building capabilities and introducing technological innovations (Nokia, 2015c.) Reducing the disaster risk that impacts children is done by improving their resilience as well as their communities' resilience with the help of Disaster Risk Reduction (DRR). (Nokia, 2014 & Nokia 2015d)

The help also includes providing better communications and connectivity with latter's telecom and mapping and navigation technologies. In India, 176 villages or urban locations are being equipped with ICT platforms. Computer hardware and software facilitate villages' DRR planning, for instance (Nokia, 2014 & Nokia 2015d). When children are provided access to the right information at the right time, DRR and communications technologies help to choose alternate routes and safe zones (Nokia, 2014). This project touched 350 000 lives, including 185 000 children. DRR is said to be a step towards directing the efforts of disaster management to saving livelihoods as well as children's lives. (Nokia, 2015c.)

The text is based on the master's thesis work of Mea Ylä-Soininmäki "Impact of Connectivity on Sustainable Development" (2016) Case Nokia and edited by FIBS.

CONCLUSION

SOCIO-ECONOMIC IMPACT MEASUREMENT provides a broad view on corporate sustainability and performance. It helps companies identify, measure and improve the socio-economic impacts that their products, services and operations have on the surrounding society and environment. Measuring socio-economic impacts on a larger scale can help companies find a shared vision in their strategies and operations.

Measuring business' socio-economic impacts can be demanding and require a great deal of patience and out-of-the-box thinking. This publication sets out to offer companies insights and action points to start or continue the important work. Defining the terms, key stakeholders, objectives and metrics are great first steps towards a socio-economic impact assessment that is closely integrated to the business' day-to-day operations. However, there is no single right or wrong way to measure a company's socio-economic impacts. We encourage companies to be bold, innovative and curious about their impacts on the global socio-economic development.

REFERENCES

ALONGSIDE THE WRITTEN REFERENCES we have utilized FIBS' seminar and workshop materials in the making of this workbook.

BSR (2012). Back to Basics: How to make stakeholder engagement meaningful for your company? Available at: https://www.bsr.org/reports/BSR_Five-Step_Guide_to_Stakeholder_Engagement.pdf

Carroll, A. B. and Shabana, K. M. (2010). The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice. *International Journal of Management Reviews*, 12 (1), pp. 85–105.

Epstein, M. J. & Rejc Buhovac, A. (2014). *Making sustainability work: best practices in managing and measuring corporate social, environmental, and economic impacts*. San Fransisco, CA: Berrett-Koehler Publishers, Inc.

Nokia Networks. 2015a. Connectivity and development. Referred 1.10.2015. Available at: <http://networks.nokia.com/about-us/sustainability/connectivity-and-development>

Nokia Networks. 2015c. Nokia Networks launches zero CO2 emission base station site offering #MWC15, 24.2.2015. Referred 12.10.2015. Available at: <http://networks.nokia.com/news-events/press-room/press-releases/nokia-networks-launches-zero-co2-emission-base-station-site-offering-mwc15>

Nokia Networks. 2015d. Launch: Nokia Networks makes ITW networks IoT ready #MWC15, 16.7.2015. Referred 21.3.2016. Available at: <http://networks.nokia.com/news-events/press-room/press-releases/launch-nokia-networks-makes-lte-networks-iot-ready-mwc15>

Nokia Sustainability Report 2011. Referred 5.11.2015. Available at: <http://company.nokia.com/sites/default/files/download/nokia-sustainability-report-2011-pdf.pdf>

Nokia. 2014. Nokia, Save the Children collaborate in India to protect children during disasters. 20.11.2014. Referred 16.3.2015. Available at: <http://company.nokia.com/en/news/press-releases/2014/11/20/nokia-save-the-children-collaborate-in-india-to-protect-children-during-disasters>

Nokia. 2016c. Expanding our digital horizons. Rajeev Suri. 14.4.2016. Referred 15.4.2016. Available at: <https://blog.networks.nokia.com/mobile-networks/2016/03/14/expanding-our-digital-horizons/>

Reeder, N. & Colantonio, A. (2013). Measuring impact and non-financial returns in impact investing: A critical overview of concepts and practice. London School of Economics. Available at: http://s3.amazonaws.com/academia.edu.documents/34447407/Measuring_Impact_long_version_Oct_2013.pdf?AWSAccessKeyId=AKIAJ56TQJRTWSMTNPEA&Expires=1481534966&Signature=kA3oKqptXhm%2FpISVNs%2FTs%2BCwxsM%3D&response-content-disposition=inline%3B%20filename%3DMeasuring_Impact_and_Non-financial_Retur.pdf

United Nations (2015) Sustainable Development Goals. Available at: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/> [1.3.2016]

WBCSD (2008) Measuring Impact Framework Methodology, Understanding the business contribution to society. Available at: http://wbcsdservers.org/wbcsdpublications/cd_files/datas/business-solutions/performance_valuation/pdf/MeasuringImpactFrameworkMethodology.pdf [1.3.2016]

WBCSD (2013) Measuring socio-economic impact – A guide for business. Available at: <http://www.enterprise-development.org/wp-content/uploads/WBCSDGuidetoMeasuringImpact.pdf> [1.3.2016]

Ylä-Soininmäki, M. 2016. Impact of Connectivity on Sustainable Development. Available at: https://aaltodoc.aalto.fi/bitstream/handle/123456789/20547/master_Yl%c3%a4-Soininm%c3%a4ki_Mea_2016.pdf?sequence=1&jsAllowed=y

