RETURN ON INVESTMENT IN CORPORATE RESPONSIBILITY

Measuring the Social, Economic, and Environmental Value of Sustainable Business
RETURN ON INVESTMENT IN CORPORATE RESPONSIBILITY

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

BY

CESAR SÁENZ
ESAN University, Lima, Peru
CONTENTS

List of Figures ix
List of Tables xi
About the Author xiii

1. Introduction 1

2. Understanding the Philosophy of the SROIM Model: Marriage Case 5
   2.1. Awareness-raising Stage: Falling in Love 5
   2.2. Marriage Stage 7
   2.3. Children Stage 9
   2.4. Grandparents Stage 10

3. The SROIM Model 15
   3.1. SROIM’s First Objective: Visualization of the Impacts 17
   3.2. SROIM’s Second Objective: Calculation of SROIM 20

4. The SROIM Model in Detail 25
   4.1. First Objective: Visualize the Real Impacts 25
       4.1.1. Social Network 25
       4.1.2. Sustainability Indicators 32
4.1.3. Life Cycle of the Target Beneficiary 38
4.1.4. Stakeholders versus Impacts Matrix 44

4.2. Second Objective: Calculation of SROI 48
4.2.1. Collection of Information 49
4.2.2. Isolation of the Intervention 50
4.2.3. Calculation of the Monetary Value 56
4.2.4. Social Cash Flow 65
4.2.5. Calculation of SROI Model 69

5. Case Studies 73
5.1. UBER 73
5.1.1. Background 73
5.1.2. Entry of UBER 74
5.1.3. Application of the SROI Model 77

5.2. Health and Nutrition 87
5.2.1. Productive Agricultural Development 90
5.2.2. Social Development 90
5.2.3. Nutritional Reinforcement 91
5.2.4. Organic Vegetable Gardens 92
5.2.5. Training in Nutrition, Hygiene, and Health 92
5.2.6. Non-institutional Births 92
5.2.7. Application of the SROI Model – Nutrition 93
5.2.8. Valuation 97

5.3. Education 113
5.3.1. Application of the SROI Model in Education 118

5.4. Productive Project 120
5.5. Environment 134
Contents

6. Integrating the Social Programs 141
   6.1. Integration Matrix of the Social Inclusion Programs 142

References 147

Annexes 149

Index 165
# List of Figures

## Chapter 2

| Figure 2.1. | Awareness-raising Stage: Falling-in-Love Stage. | 7 |
| Figure 2.2. | Implementation Stage: Marriage. | 8 |
| Figure 2.3. | Use Stage: Marriage with Children. | 10 |
| Figure 2.4. | Final Stage: Grandparents. | 11 |
| Figure 2.5. | The Life Cycle of the Marriage: Awareness, Implementation, Use, and End Stages. | 12 |

## Chapter 3

| Figure 3.1. | SROIM Model: Summarized. | 16 |
| Figure 3.2. | SROIM Model: Objectives. | 17 |
| Figure 3.3. | SROIM Model — Visualize Real Impact: Social Network, Sustainability Indicators, and Life Cycle. | 19 |

## Chapter 4

| Figure 4.1. | Stakeholders of an Organization. | 27 |
| Figure 4.2. | Social Network of an Intervention. | 30 |
| Figure 4.3. | Social Network in the Courtship Stage (Awareness-raising). | 31 |
| Figure 4.4. | Typology of Indicators. | 33 |
| Figure 4.5. | Interrelationship between the Sustainability Indicators. | 36 |
| Figure 4.6. | Life Cycle of the Target Beneficiary. | 39 |
| Figure 4.7. | Kevin and Sabrina’s Life Cycle and Its Impact on Sabrina’s Parents. | 42 |
| Figure 4.8. | Kevin and Sabrina’s Life Cycle and Its Impact on the Bride’s Friends. | 43 |
| Figure 4.9. | Life Cycle of the Target Beneficiary: Summary. | 44 |
| Figure 4.10. | Control Group. | 51 |
| Figure 4.11. | Trend Line. | 52 |

**Chapter 5**

| Figure 5.1. | Situation before the Entry of Uber. | 78 |
| Figure 5.2. | Stage of Awareness-raising: Uber Case. | 79 |
| Figure 5.3. | Stage of Implementation: Uber Case. | 79 |
| Figure 5.4. | Stage of USE: Uber Case. | 80 |
| Figure 5.5. | FINAL Stage: Uber. | 81 |
| Figure 5.6. | All Stages: Uber Case. | 82 |
| Figure 5.7. | Nutrition Case: Visualize Real Impact of the Intervention (All of the Stages). | 95 |
| Figure 5.8. | Social Network: Case of Education. | 120 |
| Figure 5.9. | Social Network: Productive Case. | 128 |
| Figure 5.10. | Social Network, Sustainability, and Life Cycle Indicators of the Target Beneficiary. | 136 |
LIST OF TABLES

Chapter 3
Table 3.1. Stakeholders versus Impacts Matrix ........................................... 21

Chapter 4
Table 4.1. Stakeholders versus Impact Matrix (Case: Marriage) ..................... 46

Chapter 5
Table 5.1. Stakeholders versus Impacts Matrix: Uber Case .......................... 83
Table 5.2. Comparison of Income and Expenses of Uber and Traditional Taxi .... 84
Table 5.3. Information of Comparison of Uber Service versus Traditional Taxi .... 84
Table 5.4. Calculation of SROIM: Uber Case (Thousands of $) ....................... 88
Table 5.5. Stakeholders versus Impacts Matrix: Case of Health and Nutrition .... 98
Table 5.6. Attribution: Case of Nutrition .................................................. 100
Table 5.7. SROIM = 0: Analysis of the Investment — Nutrition ..................... 103
Table 5.8. Analysis of the Distribution of Project Management and Its Impacts .... 104
Table 5.9. Cash Flow and SROIM: Nutrition ............................................. 114
Table 5.10. Matrix: Stakeholders versus Indicators ..................................... 121
Table 5.11. Attribution: Case of Education. . . . . . . 123
Table 5.12. Calculation of SROI: Education
             (Thousands of $). . . . . . . . . . . . . . . . . . . 124
Table 5.13. Stakeholders versus Indicators Matrix. . . . 129
Table 5.14. Cash Flow and SROI: Productive Project. 132
Table 5.15. Stakeholders versus Impacts Matrix:
             Environment. . . . . . . . . . . . . . . . . . . . . . . . 137
Table 5.16. Cash Flow and SROI: Environment. . . . 139

Chapter 6
Table 6.1. Integration Matrix of the Social Inclusion
            Programs. . . . . . . . . . . . . . . . . . . . . . . . . . . 143
Cesar Sáenz is Professor of the Department of Administration at ESAN University. He holds a PhD from ESADE and a MBA from ESAN University, and with student exchange in Rotterdam School of Management, Erasmus University of Holland, a Degree in Mechanical Engineering from the National University of Engineering. He teaches courses on Corporate Social Responsibility and Strategic Planning. His research interests focus in the area of business ethics and corporate social responsibility, and he has published also in the fields of social conflict management.
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.