LBG Research Institute

Toward More Meaningful Citizenship Reporting

A Report From LBG Research Institute's Thought Leader Forum

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The Thought Leader Forum of LBG Research Institute was founded in 2012 to give senior-level citizenship professionals an opportunity to discuss the “big ideas” in the field in a confidential format. In the past few months, the group has been focused on defining a set of meaningful metrics for corporate citizenship activities that satisfy the information needs of different stakeholder groups without being burdensome on the citizenship staff.

The group talked extensively about internal and external stakeholders and what they want to know about citizenship. It became clear that despite all the talk about impact, reporting still centers around the inputs and outputs of corporate contributions and employee volunteering. The need to quantify ROI persists, even though many aspects of corporate citizenship defy quantitative measurement. In the end, the group concluded that numbers alone are insufficient indicators of impact—of success.

Instead, the most meaningful measure of the return on investment of a corporate citizenship program is a combination of outcome and impact data. The overemphasis on inputs and outputs, particularly by ESG (environmental-social-governance) research organizations, discounts the value of what a company accomplishes with its available resources.

Counting Dollars, Hours and More

It is common practice to count what can be counted—input and output data—and report it regularly. They are relatively easy data to capture and easy for stakeholders to understand. The CECP’s annual *Giving in Numbers* report is a comprehensive survey of the most commonly collected and reported input and output data. The *Giving in Numbers* survey asks for details of cash and non-cash giving and employee engagement program statistics. It is mainly top-line data—total dollars contributed by the corporation and/or corporate foundation, for example—with opportunities for more detail such as giving by focus area, region or purpose. The same is true for employee engagement data. The survey asks for the number of volunteer hours and the amounts donated through a Matching Gifts or workplace giving program, with the ability to break down these figures into smaller buckets such as workday volunteer hours versus personal volunteer time. Within companies, these same data are collected, analyzed for trends and reported to senior management and frequently in the corporate social responsibility report.

In effect, the *Giving in Numbers* report provides broad benchmarking data for companies in many industries. However, general benchmarking data cannot capture the myriad of factors that affect individual company performance. For example, giving as a percentage of pre-tax net income can become meaningless in industries in which PTNI can swing wildly depending on global economics trends or other risk factors. Assessing giving over a rolling three-year average PTNI may be a better measure, but not always.

Employee volunteer participation rates can be another false indicator of success. What one company considers a good participation rate may be considered inadequate by another. Cultural norms, both internal and location-driven, can impact overall volunteer rates both positively and negatively. A high percentage of union and/or line workers can also bring down volunteer participation, especially when a company is only tracking workday volunteering. And the trend toward skills-based and pro bono volunteerism decreases the rate even lower but may have greater impact. A better measure might be percentage increase in volunteerism—but even that is fraught with trouble as some companies may feel they have maximized volunteerism.

How Do You Measure Success?

Top-line quantitative data can't capture the degree of success of an individual company's corporate citizenship program. To separate the best from the merely average, interested stakeholders have to look at two key pieces of citizenship that are rarely reported and difficult to quantify: 1) *progress against specific goals* of the program; and 2) the *outcomes and impacts of key program*s.

Best-practice companies are keenly aware of why they are practicing good corporate citizenship. While citizenship programs can have wide-ranging effects, a best-practice company has identified which effects are priorities, sets goals for itself and measures progress against those goals.

Those goals are usually a combination of desired outcomes for the company, employees and the community. The desired impact on the company may be reputation enhancement in the community, better relations with local elected officials or improved ability to recruit top talent, as examples.

For employees, the goal might be to increase employee engagement to gain all the benefits of an engaged workforce. Annual surveys of employees can tell if volunteerism and employee-directed giving are having the desired effect on employees, such as increased satisfaction with their employer, higher retention rates, professional development from skills-based opportunities and likelihood to recommend the employer to a friend or colleague. While many companies do regularly survey employees, the results of those surveys are not necessarily disclosed or publicly associated with citizenship. After all, disclosing goals and progress against them can be a risky business if the results fail to measure up.

Outcome vs. Impact

Although frequently used interchangeably, outcome and impact are not the same thing. According to the London School of Economics and Political Science (LSE), when using these terms in research on people's welfare, "impact is the longer-term effect of an outcome."

The Center for Nonprofit Management agrees with that distinction, stating that "While the outcome evaluation tells us what kind of change has occurred, an impact evaluation paints a picture as to how a program might have affected participants' lives on a broader scale."

*For example, a program that targets financial literacy among low-income women might measure outcome by how much the women learned through testing as well as how they felt about their newfound literacy through pre- and post-program surveys. A change in the women's financial literacy and in how they feel about their ability to manage money, etc., is **outcome**.*

*Down the road, though, the program may influence the women's life trajectory. They may save more, become qualified to get a mortgage, buy appropriate insurance products—maybe even get a job in finance. It is these long-lasting effects that comprise **impact**.*

Sources: The Impact Blog of LSE and the Center for Nonprofit Management's Nonprofit Answer Guide.

Community goals focus on the effect on the nonprofit served, on its clients and on the community in which the nonprofit(s) is located. Larger grants will generally include specific goals in terms of reach (100 clients will be served, for example) and perhaps even in outcome (80% of clients participating in the program will increase their skills or knowledge in XYZ, for example). These goals and results are not usually reported, but there could be a benefit in discussing how larger grants and signature programs are monitored for success.

Outcome and Impact

Outcome and impact are key pieces of measuring the success of citizenship, yet both are under-collected and under-reported. Both require resources in time and money to track, research and report. (See sidebar for definitions of outcome and impact.)

Is it worth it to collect and report outcome and impact data? For large grants and signature programs, yes. If a company wants its citizenship program to be a differentiator in the marketplace, yes. If a company wants stakeholders to understand that it is making a difference with its philanthropy and community involvement, yes.

Who Cares?

Among stakeholders, some groups care deeply about outcome and impact and some don't care but should. According to the Forum members, senior management love impact stories for their public relations value. These stories add richness to CEO and executive speeches and media interviews. Yes, the CEO and board (company or foundation) want to know that there are numbers behind the stories, but it is not the numbers that thrill the media and the public. If corporate communications isn't already asking for these stories, then the citizenship staff should be sending them proactively.

Employees, especially those who volunteer or donate through workplace programs, also care about whether the company is really making a difference. Consider the viewpoint of employee volunteers. For company-sponsored events, the employees show up to an appointed nonprofit, do the work assigned, and go home. Some employees may interact with the nonprofit's clients, as mentors for example, but many do not. They paint and fix or weed and plant and don't see the faces of the people who are actually benefitting from the employees' time. Employee satisfaction with the volunteer experience is greatly enhanced when they hear back from the nonprofit or from the community relations staff about the difference their time and/or money made in the community.

Those in the target community certainly care. The general public may or may not care. Investors, too, may or may not care, depending on how interested they are in citizenship as an investment criterion.

One important group that seems not to care, but really should, are the ESG research organizations tasked with evaluating a company's social commitments. The "S" of ESG includes human rights, labor practices, health and wellness of employees, and community involvement. While there is a plethora of data points surrounding employees in ESG surveys, there is a dearth of questions about community.

The data that organizations such as IW Financial, Bloomberg, Thomson Reuters and others collect include the inputs of citizenship, such as dollars and volunteer hours, and tick marks in boxes about a company's community programs. Does it have paid-time-off? Matching Gifts? Did it win awards? In short, a series of yes-or-no questions that shows scope but nothing more.

A few enlightened ESG researchers go deeper. The RobecoSAM questionnaire that informs the Dow Jones Sustainability Index selection process is one of those that asks about citizenship goals, progress against goals and what metrics a company uses to measure the benefits of its contributions. Vigeo, an ESG researcher based in France, also asks in-depth questions about citizenship performance.

Why should a company care? The ESG research organizations can be highly influential with internal and external stakeholders. CEOs want to know why the company is not a member of the Dow Jones Sustainability Index or on the CRO's list of the Top 100 Corporate Citizens. Investors, particularly sustainability-focused investors, rely on third-party researchers' opinions when making investment decisions. Public ESG-based lists, such as Newsweek's Green Rankings or Ethisphere's Most Ethical Companies, can influence consumer purchasing decisions, too.

Change Reporting First

For companies to get proper "credit" for the good they are doing, two things have to happen. First, companies need to look at what they report and whether they are disclosing the big picture of their citizenship efforts. Second, external researchers need to be educated in how to evaluate qualitative data to recognize and credit companies with excellent citizenship programs. Both will take a willingness to accept that the "soft stuff" is essential for assessing citizenship and not just fluff.

A first step would be to add data elements to commonly used reporting standards, such as the Global Reporting Initiative (GRI), to encourage companies to expand their reporting. These data points would ask about the company's goals for its citizenship program and the progress against goals. For example, the standards could include disclosure of internal goals and measurement key performance indicators (KPIs) around those goals. As an example, the stated goal might be to increase employee satisfaction and the KPI(s) associated with that goal would be the scores from an annual employee survey. The reporting company has the freedom to report KPIs that are meaningful to that company and representative of its performance against goals.

"Unless we include both quantitative and qualitative data, the value of citizenship cannot be fully assessed—or appreciated."

--Linda B. Gornitsky, PhD
President, LBG Research Institute

The second addition to reporting standards would be to allow companies to elaborate on how its community support made a difference, which addresses the currently unanswered question of how well the company used its resources to support its communities. Here, the company can discuss significant projects—the ones they are tracking closely anyway—telling the who-what-where-when-and-why and most importantly the results of its efforts.

Adding these disclosures to reporting standards sends the message that there is more to judging the citizenship of a company than dollars donated and hours volunteered. These additions put the meat on the bones and allow stakeholders to identify the true leaders in corporate citizenship.

They would also send a message to ESG analysts, whose questionnaires frequently include many of the same data elements as one or more of the different reporting standards. Analysts should be allowed to evaluate a company's citizenship beyond the bare numbers and assess it for performance against goals as stated by the company. More "credit" would be given to companies that set and disclose those goals, and to those that meet or exceed their goals.

Conclusion

In the end, there has to be an acknowledgement that when it comes to corporate citizenship and community involvement, it isn't how much you spent but how well you spent it that defines the success of a program. When stakeholders, including ESG researchers, insist on focusing just on the numbers, they are poor judges of the value of a company's citizenship.

It is time to integrate qualitative information into the analysis of corporate citizenship. To accomplish that, we need to come together as professionals and discuss how best to do this. The Thought Leader Forum has started the conversation and we invite you to join it. Call 203-240-5766 or email us at lbgresearch@gmail.com if you want to get involved!

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