In recent years corporate social responsibility (CSR) has become increasingly important as the concept which frames the business contribution to sustainable development. CSR has potential to become a strategic activity adding value on different dimensions—business, society and ecosystems—if two conditions are met. The first condition for strategic CSR is that CSR needs to become integrated with the strategy of the firm. The second condition for strategic CSR is to measure and monitor these new or additional values. We distinguish three ways in which CSR may provide value to a firm, society and ecosystems: value creation, value integration and value redistribution. Building on this distinction, we explore the consequences for measuring the impact of CSR activities. We conclude with a discussion on the implications, limitations and suggestions for further research.

Corporate social performance
Impact measurement
Social impact
Strategic philanthropy

In recent years corporate social responsibility (CSR) has become increasingly important as the concept which frames the business contribution to sustainable development (Commission of the European Communities 2002). Building on generic definitions of sustainable development (WCED 1987) it denotes a situation in which firms combine their economic goals with taking responsibility for their
ecological and social impact.

CSR has received a lot of attention from researchers and practitioners. In both fields we find advocates as well as critics. The latter believe CSR is about enlightened self-interest, PR and greenwashing and will not provide any value for society (Keim 1978; Frankental 2001; Margolis and Walsh 2003; Matten et al. 2003) and perhaps not even for businesses (Friedman 1970; Bragdon and Marlin 1972; Vance 1975). Advocates of CSR believe that CSR will provide value for business, society and ecosystems, and is a source of innovation (Freeman 1984; Hart and Milstein 2003; Husted and Salazar 2006; Porter and Kramer 2006). These mixed qualifications are at least partially a consequence of the fact that a wide range of activities are subsumed under the umbrella term of CSR, ranging from philanthropy to CSR reporting and from pollution prevention to sustainable purchasing.

In our view, CSR has potential to become a strategic activity adding value on different dimensions—business, society and ecosystems—if two conditions are met. The first condition for strategic CSR is that CSR needs to become integrated with the strategy of the firm. As long as CSR activities are ‘bolt-on’, companies engage in socially beneficial spot-initiatives and extra activities which are disconnected from their core business operations (Wolff and Barth 2005). Examples of this are financial or material donations, and sponsoring or volunteering activities of employees. ‘Built-in’ CSR constitutes an integral part of business strategy and operations (Grayson and Hodges 2004). This includes efforts to integrate economic, ecological and social values into business processes, make production processes more sustainable and to improve the ecological and social properties of the products, services or goods, either by improving existing products or by creating new products.

The second condition for strategic CSR is to have the means to measure and monitor these new or additional values. The reason for this is twofold. On the one hand, given the public interest in CSR, CSR is closely related to transparency, accountability and legitimacy and requires some form of validation. On the other hand, if CSR is to become a strategic activity, the firm itself will have a need to monitor the impact of its activities. Strategic CSR urges firms to assess their value added (or destroyed) across ecological, social and economic dimensions and to incorporate those impacts into management decisions.

Thus, in order to provide insight into the strategic potential of CSR, two questions need to be answered:

- How can the value of business activities for a firm, society and ecosystems be defined?
- How can the contribution of activities of the firm to such value be measured?

The answer to the first question is difficult as ‘value’ eventually is a judgement
made by individuals and communities: there is no objective way of defining it. For this reason, we will draw on literature from various sources to explore what is actually meant by ‘providing value’. The answer to the second question will build on this. Interestingly, it will show that current practice tends to focus on measuring a limited part of the value that is generated by CSR. Management scholars have focused mainly on the financial gains for the firm. In practice, management and reporting standards such as ISO 14000 and the Global Reporting Initiative (GRI) assess CSR procedures rather than performance in terms of impacts on society and ecosystems.

In this chapter we propose a framework for assessing the strategic potential of CSR. This framework consists of two parts. First, based on distinct bodies of literature, we distinguish three ways in which CSR may provide value to a firm, society and ecosystems. These are illustrated by examples. Building on this distinction, we explore the consequences for measuring the impact of CSR activities. <Is this the second part of the framework?>

**Defining the value of firm activities**

Before we go into the question of how value can be created through strategic CSR we will explore how the concept of value creation is framed in strategic management literature. In general, the primary pursuit of firms is to create and maintain value (Conner 1991). How to create and appropriate value are central concepts in the (strategic) management and organisational literature (Lepak et al. 2007; Verwaal et al. 2008). However, what actually constitutes value is often left undressed in these theories.

Strategic management theories explore the question of why one strategy is more successful in creating and maintaining value than another, given product, firm and industry characteristics. Those theories basically boil down to two general types: competence-based theories and governance-based theories. Competence-based theories—including evolutionary economics and the resource-based view—focus on value creation by explaining the emergence and sustainability of economic rents (Barney 1991; Conner 1991; Barney et al. 2001). Governance-based theories—including agency theory, transaction-cost economics and property rights theory—mainly focus on value appropriation by explaining the existence and boundaries of economic institutions, such as firms, and employment relations (Williamson

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27 Value appropriation refers to the distribution of the value created (Klein 2008). Value appropriation is in literature labelled variously as value capture, allocation, realisation, dispersion or distribution (Priem 2007).
1985, 1999; Makadok 2003). In both cases, value is—implicitly—defined in terms of immediate or future financial gains for firm owners.

Financial profit remains an important standard for optimal functioning in the private sector (March and Simon 1993) and it is more or less accepted that the main target of for-profit firms is to maximise, in the long run, the wealth of the shareholders of firms (Friedman 1970; Jensen 1998). From this perspective, CSR is received with great scepticism as a zero-sum game where the impact on companies mainly adds costs and limits the freedom of firms through additional regulatory demands (Haigh and Jones 2006).

This view was already being challenged in the 1970s in a public and academic debate about the social responsibility of business (Ackerman 1975; Vink 1986). With the rise of the concept of CSR this debate has been revitalised. Firms adopting CSR also take actions that are intended to further social good and which are beyond their economic interest and what is required by law (McWilliams and Siegel 2001).

The management perspective of value as financial profit is also challenged by insights from economic sociologists. They have shown that economic value is not an objective fact, but rather the result of judgements of individual consumers, producers and other societal actors (e.g. financial institutions, government, environmental and social groups). Cars can be valued for their speed, range, reliability, fuel efficiency, comfort, or as a signifier of social status. Depending on what value is dominant, financial profits are accrued based on this value. More generally, the measurement of economic value has been institutionalised in accounting practices (Callon 1998). This insight builds on the sociological perspective of social constructivism which holds that actors base their decisions and actions not on an objective reality, but rather on their beliefs and norms about that reality (Berger and Luckman 1966). Understanding economic activities is thus only possible if we analyse the beliefs and norms that guide economic actors.

Given the socially constructed nature of value it is not possible to provide specific definitions: these emerge in the context of interactions among economic actors and those that seek to influence them. Together they enact the specific value provided for the firm, society and ecosystems. It is possible though to reflect on different ways in which such value is constructed. For this we draw from literature on innovation, global commodity chains and stakeholder theory.

**New value creation**

Firms derive profit from value-adding activities. If such activities are performed more efficiently, the value-added increases. In addition to such efficiency improvements, firms may develop product innovations. This consists of creating new value: the firm develops a new object, service or activity which is perceived as valuable
by some social group. This may be the creation of a new market, or the development of a new product based on the recognition of a new problem field. Such innovations usually require collaborations with other firms, knowledge institutes and governments, especially when they are aimed to reduce the ecological and social impact of the firm or be more sustainable than the product that is replaced (Weber and Hemmelskamp 2005). Such innovations may be considered as the core of a strategic approach to CSR as they move the firm and its core activities towards a redefined balance between economic revenues for the firm, reduced impact on ecosystems and improved value for society. To the extent that products are more systemic (Prencipe 2003), such innovations often require an approach such as transition management (Loorbach 2008). Moving from the internal combustion engine towards electric or fuel cell vehicles requires innovations not only in car technology and design, but also in the supporting infrastructure and servicing. In addition, such systemic innovations replace to some extent existing firms, a process referred to by Schumpeter as ‘creative destruction’ (Schumpeter 1975 [1942]). CSR as new value creation is thus a process of collaborative innovation with winners and losers. A key characteristic is that, at the level of the firm, but often also at the level of the larger production and consumption system, a new balance is struck between economic, ecological and social value.

An example of CSR as new value creation is the rising trend of firms developing strategies targeting the so-called ‘bottom of the pyramid’ (BoP). These firms distinguish themselves in that they seek to create new markets involving customers, employees, suppliers and/or distributors who have an average daily purchasing power of US$2 or less (Prahalad 2005). These initiatives can lead to profitable businesses and economic development for people living at the bottom of the pyramid as well as the multinational corporations that serve them. We describe two examples where people at the BoP fulfil different roles.28 In the first case, increased access to affordable life-saving medicines for South Africans, the people at the BoP are consumers. In the second case, using straw for district heating, the people at the BoP are suppliers.

Five and half million South Africans are infected with HIV/AIDS, and more than 837,000 individuals urgently require access to life-prolonging antiretroviral medicines. According to the World Health Organisation only an estimated 21% of people living with HIV have access to the needed treatment in public clinics and hospitals. The founder of Aspen Pharmacare translated the need to supply South Africans with the essential medicines required for the treatment of life-threatening diseases such as HIV/AIDS, tuberculosis and malaria into a business opportunity by developing a pharmaceutical manufacturer capable of supplying the South African mar-

28 Both cases are based on information from the ‘Growing Inclusive Markets’ initiative of UNDP; www.growinginclusivemarkets.org (accessed 9 December 2009).
ket with brand name, generic and over-the-counter medicines at affordable prices. In 10 years, Aspen Pharmacare has become one of the largest drug companies in South Africa. Initially worth US$7 million, Aspen has grown at a rate of 40% per year. By building the largest manufacturing plant in the country, Aspen Pharmacare is now in a position to supply South Africa’s national antiretroviral treatment programme with approximately 60% of its current requirements. In 2005, Aspen had annual revenues of US$467 million and net profits of US$75 million. Aspen’s efforts provide increased access to affordable life-saving medicines for South Africans.

A second example shows how people at the BoP can act as suppliers. PEC Luban, a company providing district heating in the town of Luban, Poland, began using straw for heat generation in the late 1990s. This allowed for significant reductions of harmful emissions from the combustion of traditional fuels (mostly coal). The use of straw also created demand for straw from local farmers—straw is a locally produced and renewable source of biomass energy. The straw-fired boilers were constructed as an upgrade and extension to the existing coal-fired boiler plant. The Luban facility is Poland’s largest boiler plant fired with straw, offering a good example of overcoming technical challenges to meet energy needs in a sustainable way and avoiding dependence on polluting sources of energy that also contribute to climate change. PEC Luban was able in recent years to reduce its use of coal by 2,500 tonnes per year. The use of waste straw instead of coal has lowered CO₂ emissions by 2,000 tonnes per year, SO₂ emissions by 6,000 kilograms per year, and NO₂ emissions by 2,500 kilograms per year. The wide-scale use of biomass energy is likely to stimulate the development of rural areas and agriculture and to increase employment and incomes for smaller farmers. In addition, the sustainable use of biomass energy sources helps to manage the local environment. Previously most of the surplus straw was burned in the fields, which constituted a serious health hazard for the population and caused environmental damage. One of the main obstacles was that the farmers lacked knowledge about the benefits of selling straw for energy purposes and about how to comply with strict and costly technical requirements. This example shows how the development of new products can benefit both the firm and the local communities.

Value integration

A second type of CSR concerns the integration of stakeholder concerns into the firm’s strategy. Stakeholders are those individuals and organisations that are influenced by, or are able to influence, the activities of a firm (Freeman 1984). The concept of CSR builds on the idea that the interest of all stakeholders should not be sacrificed to the interest of the shareholders and it is a firm’s task to create value with and for its stakeholders. The purpose of the organisation is thus to create value
for its stakeholders (or the interests they represent, such as those of ecosystems),
bringing into focus different targets, including earnings for owners, satisfaction for
employees, product benefits for customers and taxes for society (Post et al. 2002).
The mutual dependence of firms and society implies that any business decision,
as well as any policy decision, influences society and other stakeholders as well as
businesses (Emerson 2003). Therefore, the main challenge is to maximise value in
win–win situations or to optimise value in win–lose or lose–win situations. This is
one of the main theoretical and practical problems around CSR as a strategic activ-
ity. Different stakeholders may have different views of what is valuable because
of differing knowledge, goals and context. Stakeholders can even have competing
interests and viewpoints of what is valuable (Lepak et al. 2007: 191).

Value integration implies the effort of a firm to integrate values espoused by
stakeholders into its activities and organisational routines that were previously
disregarded. As a result, firms no longer strive for financial benefits in isolation
but adopt a broader view including environmental and social values. The voice of
the stakeholder is inserted into the business processes through interaction with
external parties such as suppliers, customers, communities, governmental and
non-governmental organisations or the media. Incorporation of stakeholder views
may result in optimisation of existing products and processes by pollution preven-
tion or product stewardship. Pollution prevention comprises activities that reduce
the amount of pollution generated by a process or product. This can be achieved
either by reducing the source or input, or by reducing emissions and waste during
the production process. Whereas pollution prevention focuses on internal opera-
tions, product stewardship extends beyond organisational boundaries to include
the entire product life-cycle, from raw material access through production proc-
cesses, to product use and disposal of used products (Hart and Milstein 2003).

An example of CSR as value integration is the initiative of the Dutch regional
platform for nuisance and safety to set up a residential advisory board (RAB) in
Pernis, Rotterdam.29 The RAB was designed as an organised form of stakeholder
consultation with the local community. After a trial period of two years, the board
was positively evaluated by the firm and by the local residents, and has been run
successfully for more then ten years. Shell is a global group of energy and petro-
chemical companies, with 104,000 employees in more than 110 countries. Shell
Pernis, a joint oil refinery/chemicals manufacturing site, is the largest refinery in
Europe. In the direct vicinity of the Shell Pernis refinery over 450,000 people live
permanently in the local communities, leading to a large potential for nuisance or

29 The case description is based on information from the Shell Pernis website (www.shell.
com/home/content/nld/aboutshell/shell_businesses/pernis, accessed 9 December
2009) and on the model for a residential advisory board published by the Shell Pernis
Residential Advisory Board (2003).
risk situations. In 1998 a residential advisory board (RAB) was initiated. The board includes representatives of the local community, Shell Pernis and an independent facilitator, enabling local residents to discuss with the firm anything which may directly or indirectly affect them as neighbours of the firm. The main reason for initiating the RAB was that it could facilitate and support open and direct communication between the firm and the local residents which is in the interest of both the firm and the neighbours. The RAB meets four times a year. The emphasis in these meetings is on environmental and social aspects such as nuisance, environmental, health and safety aspects.

Within the RAB, agreements have been reached about reduction of large-scale flaring and water pollution in the harbour area, as well as improved communication about nuisance. The RAB provides a means for such agreements, and is a way to show accountability towards the people living in the immediate area and for the quality of life in that area. Besides this, the RAB is a vehicle for Shell to be made aware of the concerns of the local residents and their perceptions and to encourage Shell to incorporate those perceptions in their operations. Furthermore, feedback is obtained for the preparation of external communication material which helps to maintain or even improve Shell’s image (Shell Pernis Residential Advisory Board 2003). This example shows how stakeholder consultation can be used to identify stakeholder value and indicators to be measured, reported on and incorporated in strategic management decisions.

Value redistribution

A third type of strategic CSR activities can be drawn from the literature on global commodity chains. Such chains refer to the globally linked stages of a product’s life-cycle from the extraction of raw materials through production, consumption, to recycling and waste disposal (Gereffi 1999a, b). This approach focuses on the international dimension of power and dependence relationships, often between developing and developed countries. Second, it addresses the issue of relative power in the chain, identifying lead firms that control crucial resources and generate most of the profits. Third, it views mechanisms of coordination throughout the chain as a source of competitive advantage. Lead firms choose coordination mechanisms (varying from market transactions to network forms and hierarchical relationships) that allow them to achieve their goals. Finally, organisational learning is viewed as the central mechanism through which firms consolidate or improve their relative position towards other actors in the chain.

Based on the analysis of global commodity chains of food products, apparel, electronics and automobiles, two distinct types of commodity chain have been identified (Gereffi 2001). Producer-driven commodity chains (automobiles, computers), are led by large transnational corporations that coordinate production and dis-
tribution into vertical networks. Buyer-driven commodity chains (food products, apparel, toys) are led by large retailers, marketers and branded manufacturers that coordinate the development of decentralised production networks in developing countries based on trade rather than direct coordination.

The global commodity chain approach provides an analysis of what in debates about CSR is often construed as a social issue: the dependence of farmers and workers in developing countries on Western firms. Firms in consuming countries hold power over producers of commodities such as coffee and cacao, but also apparel and consumer electronics, and are thus able to appropriate most of the value-added. Moreover, Clift (2003; see also Clift and Wright 2000) finds that such inequalities correlate with ecological impact. For example, in the commodity chains of mobile phones, producing countries combine low value appropriation with a disproportionately high ecological impact.

Based on this analysis, a third type of strategic CSR takes the shape of value redistribution as relationships among commodity chains are altered to strike a more equal balance among economic actors in producing and consuming countries in terms of ecological, economic and social value. Over the years, various initiatives have developed to forge such a change in relationships, of which fair-trade programmes are the most well known.

A case of structural redistribution of value has occurred in the last decade in the product chain of coffee. Before 1990, coffee-producing countries operated under a relatively successful price agreement which was upheld by the International Coffee Organisation (ICO) (Bates 1997). When this cartel collapsed, prices dropped dramatically, leaving many farmers in South American and African countries with almost no income. The social problems resulting from that were an incentive to members of several Western countries to develop programmes where coffee was bought from farmers at a price exceeding world market levels, and then sold to consumers that were willing to pay this extra price. Over time, such initiatives were institutionalised in an international standard organisation under the Fairtrade label. For the people involved in these programmes, value (in terms of monetary compensation) redistribution was their main aim: the purpose was to establish links from coffee farmers to Western producers outside the mainstream coffee product chain. For firms, carrying the Fairtrade label implies that they are involved in value redistribution in monetary terms. The principles behind this suggest that monetary improvement for farmers is a prerequisite for improving other qualities, including improved environmental performance.

After a period in which Fairtrade existed as a small market niche alongside the mainstream coffee chain, in recent years several roasting firms have started to include in their product line products that carry the Fairtrade label, or a label that has similar purposes. In the Dutch market, a large retailer developed its own
standard for its in-house brand, seeking to capture part of the market that Fairtrade initiatives were taking. More recently, the market leader in coffee products, Douwe Egberts, a Sara Lee subsidiary, has announced that it aims to have fulfilled the major competing certification programme to Fairtrade, UTZ CERTIFIED, for its total product line no later than 2010.

At least on the Dutch market, there is thus a competition emerging among firms based on their definitions of social value as exemplified by the standards to which they adhere. During the beginning of 2008, this competition became manifest in a legal suit by Douwe Egberts against the province of Groningen. This governmental body had formulated criteria for a new contract for coffee suppliers that could only be fulfilled by firms adhering to fair-trade standards. Douwe Egberts fought these criteria, stating that this amounted to market distortion. The judge decided that the governmental agency had the freedom to set criteria in this way. This example shows how value redistribution, in terms of monetary units, can be successful and lead to competition among firms.

Measurement

If CSR is to become a strategic activity, two conditions have to be met. The first condition for strategic CSR was the integration of CSR within the strategy of the firm, which can be distinguished in the three types outlined above. The second condition for firms is to measure and monitor not only their financial returns but also the value added (or destroyed) across the environmental and social dimension. Current practice tends to focus on measuring only a limited part of the value that is generated by CSR. Management scholars have focused mainly on performance measurement measuring the financial gains for the firm. The question about what impacts those corporate CSR actions have, not only on the bottom line but also on society and ecosystems, remains largely unexplored (Margolis and Walsh 2003).
To be able to measure the impact of CSR on different dimensions, a shift is needed from output thinking, focusing on a single-dimensional firm perspective, to impact thinking, which includes a social and ecosystem perspective (see Fig. 7.1). Performance measurement, traditionally used to measure companies’ efficiency, profit and competitive advantage, builds on output thinking. Measuring output does not enable firms to assess their value added (or destroyed) across environmental, social and economic dimensions. This indicates that new methods capable of measuring impact are needed.

In this chapter we use the definition of impact as developed by Clark et al. (2004): ‘By impact we mean the portion of the total outcome that happened as a result of the activity of an organisation, above and beyond what would have happened anyway’.

This definition is based on the so-called impact value chain (see Fig. 7.2) and is developed to differentiate outputs from outcomes and impact.
Figure 7.2 Impact value chain

By doing this we borrow from evaluation theory that conceptualises the idea that impacts are different from outputs (Rossi and Freeman 1993). While outputs and outcomes are related to the provider of the product, activity or service, impacts are associated with the user (Kolodinsky et al. 2006) and other stakeholders.

In business, generally accepted principles of accounting and an international legal infrastructure have been established over the years to help measure and report on financial impact. Life-cycle assessment provides a framework and indicators for the measurement of ecological impacts. For social impact measurement, however, general accepted standards do not yet exist. Nevertheless, social and ecological impacts are often not explicitly included in measurement or are even ignored. Next to this the impact and the dimension of the impact (economic, environmental and social) vary on a case-by-case basis depending on the CSR activity.

Different measurement for different purposes

Impact measurement is not an end in itself. Neither the act of measuring impact nor the resulting data accomplishes anything itself; only when someone uses these measures in some way do they accomplish something (Behn 2003). Besides this, only if managers know what they want to do with the measurement results can they select a collection of impact measures with the characteristics necessary to help them achieve these purposes (Maas 2009). Managers should therefore begin

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30 LCA is a ‘cradle-to-grave’ approach—from extraction of raw materials to end-of-life—used to evaluate or compare the overall ecological impacts of alternative products or processes.
by deciding on the managerial purposes to which impact measurement may contribute. Managers might want to answer questions from several perspectives:

- How is value distributed in the supply chain?
- How do stakeholders see us?
- How can we continue to improve?
- How can we create value?
- How do shareholders see us?

A measurement approach should be selected based on the CSR activity undertaken by the firm—value redistribution, value integration or new value creation—and the corresponding impact. Measuring the impact of CSR can be difficult because any meaningful measurement needs a reference point in terms of accepted criteria.

In our typology of strategic CSR activities we distinguish three ways in which CSR may provide value to a firm, society and ecosystems. Each of these requires different impact measures. Impact measurement in the case of value redistribution should focus on the global commodity chain perspective and answer the question: how is impact, on different dimensions, distributed in the supply chain and how could this be optimised in view of sustainable development? Impact measurement in case of value creation through the development of new products or new markets should focus on a financial shareholder perspective and a societal perspective and answer the question: how can we increase positive impact on the different dimensions? Impact measurement in the case of value integration should focus on the stakeholder perspective and answer the question: how do stakeholders see and value the firm?.

**Measuring value creation**

Value creation for the firm through the development of new products or new markets or by bottom-of-the-pyramid strategies are comparable with general innovation activities. CSR as new value creation is a process of collaborative innovation. A key characteristic is that, at the level of the firm, but often also at a system level, a new balance is struck between economic, ecological and social impact.

The difficulty of measuring the impact of new value creation is dependent on whether the innovation constitutes a departure from the existing technological paradigm: that is, the current accepted frame of reference on which firms and knowledge institutes base their search for new technologies (Dosi 1982). When new value creation takes the shape of efficiency improvements of processes and products, impact can be measured by comparing the old with the new situation:
a TV set that uses less energy during the consumption phase, or substituting a hazardous substance which results in less water pollution. However, it has been argued that sustainable development requires more fundamental innovations that require new technological paradigms, such as the shift from car-based mobility to alternative modalities. This also has consequences for behavioural patterns of consumers: for instance, by working at home rather than at an office. Taken together, these shifts in activities are too complex to be compared with the old situation; as with scientific paradigms, the impacts are incommensurable (Kuhn 1962). In the BoP examples, involving people at the bottom of the pyramid as consumers and producers might be measured in terms of their monetary income, but this fails to measure the social impact in terms of introducing new behavioural patterns.

Thus, measuring new value creation is difficult especially when it involves a shift in technological paradigms. Besides this, new value creation by entering new markets or by launching new products could cause unforeseen external effects or rebound effects might occur. The difficulty with such effects is the timeframe in which they can occur. Only after market introduction can value for all stakeholders be defined in a meaningful way.

If companies want to include social and environmental impact next to the financial impact for the firm, they can use the so-called social return on investment (SROI) method (Lingane and Olsen 2004). SROI is a methodology pioneered by the Roberts Enterprise Development Fund (REDF) in 1996. More recently the approach has been used to assess the multi-dimensional impacts of CSR activities.

**Measuring value integration**

Value integration implies the effort of a firm to integrate values espoused by stakeholders into its activities and organisational routines that were previously disregarded. Problems, solutions and impacts, whether intended or unintended, are often the subject of ambiguity, uncertainty and disputes (Roome 2001). Measuring such impacts has to be a collective activity; the firm cannot measure impacts without taking the perspective of the stakeholder into account. The impacts to address have to be selected by the firm and its stakeholders. To be valid, they need the kind of public acceptance which can only be achieved through well-structured participatory decision processes (Clift 2003). For each stakeholder, it is important to have insight into the way in which, for them, the relevant impacts are addressed by the firm. Therefore, the firm and its stakeholders have to interact and continuously learn, take action and change. This process can be viewed as a multi-party, learning-action network that spans business organisations and stakeholders in society (Clarke and Roome 1999).

Indicators for value measurement can be selected directly through stakeholder consultation, as in the case of Shell’s residential advisory board, by building
learning-action networks or indirectly by using different guidelines, frameworks, standards and rating schemes which provide information on potentially useful indicators. These guidelines, such as the GRI G3, are developed based on a multi-stakeholder, consensus-seeking approach which is a valuable way to produce indicators that appropriately respond to stakeholders’ needs. The different impact can be measured in their own metrics or can be integrated into one ‘grade’. The relevance of aggregating across the dimensions, for example by expressing environmental impacts in monetary terms, depends on the interests and information need of the stakeholders and the firm.

**Measuring value redistribution**

Value redistribution includes the effort of a firm to change the distribution of impact over the system actors. Redistribution builds on the accepted definition of what is valuable. Often redistribution efforts focus on redistributing the financial impact. **Successful impact redistribution would, in this case, mean that producers and workers in the supply chain obtained a better price for their work or product.** What should be measured is how impact is distributed in the global commodity chain.<Please check changes> In addition to measuring the distribution of ecological impact, it should be assessed how much of the value is obtained by the producers and workers in the value chain. This can be done by looking at the prices paid or obtained at every step in the supply chain and making a comparison of the initial situation and the situation after the redistribution effort. Again, this is problematic as changes in practices of actors, constituting social impact, are difficult to measure. In the case of organic coffee, increased income for farmers is combined with an increased demand for labour, as organic coffee requires much more intensive farming practices throughout the year. The consequence is that people growing coffee have to focus on this as their main activity whereas previously they often grew coffee as one of several activities. In addition, harvesting requires the input of additional labour, for which people from the community are hired. Thus, organic coffee farming involves a change in practices and monetary benefits for other people besides the principal farmer, who becomes more like a Western entrepreneur (Jaffee 2007). Such impacts are difficult to capture by measuring the monetary part of redistribution of value.

Previous research used an extended version of the overall business impact assessment (OBIA), originally developed by Unilever (Taylor and Postlethwaite 1996), to

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31 Some examples are the Social Accountability 8000 standard (SA8000), International Labour Organisation (ILO convention), World Resource Institute (WRI indicators), OECD guidelines, rating schemes from the Dow Jones Sustainability Index and FTSE4-GOOD, and the Global Reporting Initiative (GRI 2006).
analyse the environmental and economic impact of supply chains (Jackson and Clift 1998; Clift and Wright 2000). These authors observed that the primary resource industries, often located in developing countries, incur disproportionately high environmental impact but receive disproportionately low economic benefit. Clift (2003) concludes that, in view of sustainability, the ratio between environmental and financial impact along the global commodity chain should be unity. Results from this kind of measurement can be used to produce a more equal distribution of economic and environmental impact along supply chains.

**Conclusion**

CSR has potential to become a strategic activity adding value on different dimensions—business, society and ecosystems—if two conditions are met. The first condition for strategic CSR is that CSR needs to become integrated with the strategy of the firm through value creation, value integration and value redistribution. Whenever a firm engages in activities of one or more of these types, it connects CSR to its core activities, making it more than a ‘bolt-on’ exercise. The second condition for CSR as strategic activity is to measure and monitor its impact across environmental, social and economic dimensions and, ideally, to incorporate those impacts into management decisions.

Measuring the impact of CSR is difficult because any meaningful measurement needs a reference point in terms of accepted criteria. Criteria have to be selected by taking the perspective of the stakeholder into account. However, current developments in measurement instruments focus mainly on output measurement and emphasise the payback results of CSR initiatives for companies instead of the impact along the dimensions of the firm as well as the societies and ecosystems on which its activities have an impact. A shift is needed from output thinking, focusing on a single-dimensional firm perspective, to impact thinking which includes a social and ecosystem perspective. New measurement methods capable of measuring impact are needed.

A measurement approach should be selected based on the CSR activity undertaken by the firm—value redistribution, value integration or new value creation—and the corresponding impact. Managers should begin by deciding on the managerial purposes to which impact measurement may contribute. Value redistribution in a way is the easiest in terms of criteria. As redistribution builds on an accepted definition of what is valuable, CSR initiatives that fall into this category can look at the relative equality of distribution of this value across actors in the product chain. But as redistribution can also involve changes in social practices, it
mingles with the creation of new value, complicating the measurement of impact. Value integration brings more sets of values to those previously espoused by the firm, and involves stakeholders in the strategic process. In such instances of CSR, measurement may best proceed through an assessment as part of the stakeholder dialogue. For this to work, scores on different values do not necessarily need to be integrated into one ‘grade’; for each of the stakeholders, it is important to have insight into the way in which their value is addressed by the firm. Value creation is perhaps the most difficult to measure. As it involves the creation of new products and/or services, it is embedded in a process in which value of the activity of the firm at first is uncertain. (Will consumers, governmental agencies and other stakeholders accept the product/service?) Only after market introduction is it possible to define value in any meaningful way.

There is general agreement in literature that organisations until now have done little work in evaluating the impact of their CSR activities, specifically on a social and ecosystem level (Margolis and Walsh 2003; Clark et al. 2004). There is also consensus that organisations are beginning to express greater interest in their impact (Young 2002). The SROI methodology could be a useful approach to include social and environmental impacts in measurement.

Future research might assess actual impact measurement behaviour of firms. Besides this, it might be interesting to look in more detail at existing impact measurement methods. Methods may differ in approach, perspective and metrics and might be useful for specific situations. Finally, it would be interesting to actually measure the impact of CSR for several cases capturing the different ways in which CSR may provide value to a firm, society and ecosystems.

References


Shell Pernis Residential Advisory Board (2003) *Model for a Residential Advisory Board*. <Can you add any publication details to this?>


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