

The Future of CSR Reporting: Should Corporations Set and Pursue Societal-Level Goals?

On June 21, 2011, the Initiative for Responsible Investment hosted its second quarterly convening of 2011 at the Harvard Kennedy School to examine whether or not corporations should include societal-level goals in their CSR programs and how corporations can appropriately and justifiably address societal problems. The discussion also included an examination of the current status of CSR or sustainable reporting and the challenges of societal-level reporting and measurement.

Thirty-five participants from the business, money management, pension fund, non-profit, and academic worlds attended. The following summarizes the topics discussed, conclusions drawn, and possible next steps for research and practice.

I. The Current State of CSR/Sustainability Reporting and Societal-Level Goals

Societal-level goals are those social and environmental goals which reach beyond the impacts and actions of an individual company to capture impacts at a broader community level. These goals might include, for example, poverty alleviation in the American South, global climate change, decreasing mortality rates in Asia, or increasing literacy rates in inner-city neighborhoods. Some examples of societal-level goal setting by corporations include:

- In 2011, the **Campbell Soup Company** unveiled its 2020 Nourishing Our Neighbors goals, which include measurably improving the health of young people in ten of their hometown communities by reducing hunger and childhood obesity by fifty percent.
- In its 2009 report, “Responsibility Beyond Factory Walls: Engaging Factory Workers and Strengthening Communities,” **Timberland** outlined societal-level initiatives to improve health services and access to microfinance in Bangladesh.
- In 2005, **Southern Bancorp** undertook the mission of revitalizing three struggling rural communities in Arkansas and the Mississippi Delta region. Their community development model includes three twenty-year goals for each county: a fifty percent reduction in poverty, a fifty percent increase in high school graduation rates, and a fifty percent increase in employment.

Additional examples of corporate societal-level goals are included in the Appendix at the end of this paper.

Benefits and Challenges of Societal-Level Goal-Setting

Real-life examples of corporate societal-level goals were followed by a more general discussion of the nature, benefits, and challenges of such goal setting from a corporate point of view. The following summarizes the major pros and cons as observed by participants:

Benefits:

- Redirects the company’s attention from short-term goals to broad, forward-looking and longer-term company missions.

- Positions the company as an industry leader on certain forward-looking issues, giving it a competitive reputational advantage.
- Helps executives and other officers frame what the company stands for and to communicate this to the marketplace.
- Has potential to improve employee or potential customer well-being, creating an opportunity for increased employee productivity and/or consumer demand.
- Prompts companies to enter into collaborative relations with stakeholders, community and governmental organizations, supply chain links, and even competitors.

Challenges:

- Getting CEO and board level support can be an obstacle, as boards are traditionally focused on financial indicators. A profit-maximization argument is usually necessary.
- Choosing and defining social issues to engage on can be problematic, as is determining the appropriate size and focus of goals and activities.
- The complexity of societal-level challenges makes discerning causality, and the ability to claim credit, exceedingly difficult.
- Performance measurement and choosing the right metrics is especially complicated.
- The time, resources, and collaborative effort necessary to develop a useful and achievable set of societal-level goals is substantial.
- There is the danger of duplicative, piecemeal, or ineffective action if various corporations set about setting societal-level goals without some kind of overall framework.
- The narrow scope of these projects and their widespread publicity can lead to credit for a corporation's good actions when there are other fundamental and unaddressed concerns about the corporation's operations that undercut their good work.

Appropriateness of Societal-Level Goals

Having laid out examples and the pros and cons of societal-level goal setting, is this even appropriate action for corporations to take? Will companies that set goals that stray beyond themselves and their products interfere with their own operations and/or undercut the proper role of government and the non-profit sector? Or to state it another way, will companies that enter the realm of goal setting for larger societal challenges and problems influence society and public policy in ways that are net positive or net negative? The answers to these questions depend not only on how a corporation is expected to act in society, but how it chooses to act given a particular role.

Three levels of goal setting emerged. The first, most fundamental level consists of a company's business goals, including their desired profits and efficiency. The second addresses general, well-known social or environmental goals that affect the operations of a company, such as climate change or good corporate governance. At the third level are goals that affect society, but have a more tenuous connection to a company's core business.

It may be that a company's greatest social impact stems from the act of engaging in normal business activities. This is premised on the idea that economic development, increased employment, and improved well-being comes from thriving economies, which are sustained by profitable businesses. Doing business honestly—avoiding corruption, obeying the laws of the land, etc.—creates sufficient social utility to be considered a societal-level goal.

Companies also have significant influence which extends beyond the immediate impact of their products and conduct, and so have a responsibility to recognize and contend with the

implications of that impact. Companies have increasingly become active factors in society, engaging economically and politically on a variety of issues including health care, labor rights, free speech, and environmental issues. Advocates of societal-level goal setting are calling for corporations to think more broadly about their societal roles and impacts.

There is a societal-level benefit inherent in successful honest business, but targeting other societal-level goals as well can help a corporation—and other stakeholders—achieve a better sense of their active engagement in the world beyond immediate business lines. They can promote innovation in tackling societal challenges, assuming they don't come at the expense of bottom-line accounting. Pursuit of societal-level goals does not need to be seen in opposition to normal business activities.

The Process for Determining Appropriate Goals

It's important to think about process in addition to outputs and outcomes. From a public policy point of view, the process by which societal-level goals are identified, not to mention actually implemented, is crucial. If they are truly societal-level, then the process of selecting them and addressing them should be inclusive of and in collaboration with broader society.

Developing societal-level goals entails a complex relationship between civil society, governments, and corporations. Partnerships with NGOs can be extremely important in moving companies to think at a societal level and for keeping them focused on the long-term. Moreover, governments and NGOs may not know how to take advantage of corporate strengths to leverage impact. For corporate societal-level goal setting and action to be effective, its implementation is dependent on the convergence of the business community's market resources, technical expertise, and value chains, with civil society's knowledge and expertise on societal challenges, and government influence in policy-making.

This sort of collaborative engagement can work to the benefit of governments and NGOs as well—encouraging better practices and accountability across a wide variety of issues. Companies can, and do, influence changes in countries at the governmental level, and working in underperforming countries can lead to engagement and improvement in areas traditionally legislated, such as labor practices. Moreover, in the place of peers with poorer standards, corporations that implement fairer standards may improve workers lives more than if they are not there, and are often capable of moving faster to implement fair standards than governments.

In setting societal-level goals, corporations should be cognizant of the entire footprint of their corporate operations. Societal-level goals should be set and pursued in step with a method of operation that contributes to environmental and societal well-being. Societal-level goals should not work counter to normal business practices, nor should they be used as a substitute for honest and responsible business operations.

II. Models and Strategies for Goal Setting

There are a number of different models for how corporations might set societal-level goals that are not mutually exclusive. Some of them involve a strong business case-first rationale, while others begin with a societal problem to be addressed. Pieces of each of these models may be combined together to devise a specialized and strong strategy for setting and achieving societal-level goals. They include:

1. *The Go-It-Alone Model:* The Go- It-Alone approach involves corporate goal setting without outside consultation. Societal-level goals are determined internally at the company level and by shareholders. The strength of this approach is that companies may be more committed to independently set goals and more aware of their capacity to address them. However, in order to be successful in achieving these goals, outside stakeholders may need to be included in a consultation process.
2. *Consultation with Stakeholders and Society:* A stakeholder approach involves public deliberation and consultation with multiple stakeholders throughout the decision making process. Supporters of this approach agree that corporations should serve the public interest, but not be the sole definers of what public interest is. This approach allows companies to create a strategy for transformative engagement that will enable them to scale their impact. However, involving outside parties in decision-making can subjugate the company's core missions to those of outside stakeholders, and require more time and resources.
3. *Alignment within a Global Framework:* This approach has companies adopting goals based on universal principals that have been widely adopted and recognized. It involves joining large-scale, often international efforts to achieve global-level goals established through stakeholder and corporate collaboration. The strength of this model is that it is built on global standards and broad agreements on which social goals need to be addressed. However, this approach can include such broad and diffuse goals (such as the worldwide elimination of poverty, for example) that individual corporate impact can appear negligible.
4. *Government Driven Approach:* In this approach, companies look to government to set priorities. Government decides which issues need to be addressed and provides incentives for corporations. The benefit of this approach is that government can provide leadership and vision for collaboration. On the other hand, close relations between business and government are often viewed suspiciously by civil society and thus can undermine engagement and trust. Moreover, governments may think in the short-term for political purposes rather than focus on long-term outcomes.
5. *Core-Competency Model:* Here, companies align their own competencies and strengths with societal needs. For example, a core competency can mean using product distribution networks to address social challenges. This model mobilizes and takes advantage of companies' pre-established skills and expertise. However, if companies focus solely on how they can use what they already have developed in addressing social purposes it may narrow the scope of the issues they are willing to engage.
6. *Local Context Goal Setting:* This approach involves setting goals in local communities and engaging local stakeholders to determine local needs. The strength of this approach is that local goals can be more targeted and specific, increasing the likelihood of success. Moreover, causality is often more easily determined on a smaller scale, and the connection between improving the lives of people and employees in the community and the company's bottom line might be easier to draw. However, limiting a company to local goals might inhibit larger-scale collaboration necessary for tackling urgent problems.

III. Various Measurement Needs Implicit in Societal-Level Reporting

An important aspect of goal setting is figuring out how to measure results. This metrics question—figuring out how to measure societal-level outcomes in addition to outputs—is crucial. Without reliable metrics harmonization and collaboration between stakeholders, success is difficult to define and thus to achieve. Citizens and companies have a more challenging time successfully following up on their goals without legitimate metrics and synthesizing the vast amounts of diverse information with variant metrics related to performance. Given the complexities of the issues at hand, metrics for measuring process are as important as metrics for outputs and outcomes.

Well-recognized and accepted metrics for setting and measuring progress toward long-term goals are weak. On some level, long-term goals require the setting of common visions of what progress is, and that has to involve local, corporate, and societal input. Working toward a common vision of societal change may require societal-level process and metrics to measure success, but metrics must also remain useful at a local level to measure more short-term and tangible change for individual stakeholders (i.e. benchmarking success). Corporations and stakeholders should strive for a “systems approach” to designing metrics, which would include both short and long term-targets from the local firm level up to the broader societal level.

Many of the societal-level goals that are being set by corporations currently are related to Millennium Development Goals (see the Appendix for examples) and are aimed at the developing world. Whether these and other societal-level goals can be equally appropriately applied to the developed and developing world, and if the metrics can be adapted and compared, is an open question. In addition, even around the same issues, the corporate sector, NGOs, and governments all tend to use different types of metrics, which complicates efforts at clarity and comparability.

The robust data that governments collect may be particularly useful for companies in the goal setting process. Governments are especially good at bringing people together around the table in order to make sure that the right kinds of data are collected for projects, and may be helpful to some extent in helping create consensus around metrics. In setting long-term societal goals, companies should think of how to work with government on data issues, and governments should also be pushed to gather and contribute data where it is needed.

IV. Conclusion: Possible Next Steps

A series of concluding thoughts on possible next steps was solicited from the group, which fell into two primary groups:

Identifying Social Problems and Developing Metrics

- Create a general framework for a unified set of indicators of societal-level challenges that corporations, governments, and NGOs can work cooperatively to address.
- Involve government in the process of developing societal-level indicators for corporations.
- Develop a systematic and smooth path for businesses to identify and pursue social level goals by encouraging leaders in CSR and good corporate governance to develop inspirational social goals that can serve as models for their peers.
- Identify three major issues that could be put on the agenda for several, if not most, corporations.
- Work with the GRI to develop new standards for reporting on societal-level issues and to address the problems of how to incorporate societal-level goal setting into financial reporting.

Research and Strategy

- Conduct basic mapping of the field to identify the following:
 - what companies, industries, and countries are already doing around setting societal-level goals;
 - the divergences, convergences and opportunities for collaboration among corporate, NGO, and governmental metrics-setting;
 - how governmental and corporate policies can increase attention to societal-level goals; and
 - how stock exchanges are considering the issue.
- Develop “collaborative leadership skills” at the academic and executive education levels.
- Work on a “new vocabulary” to talk about what constitutes societal-level goals and develop a tool set for enabling leaders to set and accomplish them.
- Create a new set of indicators for ranking companies according to their social aspirations and achievements.
- Create case studies for particular issues. Identify which companies involved, how they are approaching the issue and how it might relate to other issues and corporations.
- Document shared learning experiences so far in these areas as a way of moving the discipline forward, learning from past examples, and facilitating future efforts.
- Review how goal setting influences investor valuation.
- Conduct future conversations and research on a theoretical level about how long-term goals relate to the business case and firm theory.
- Develop a strategy for incorporating SMEs into the conversation.

V. Appendix: Case Studies

This appendix provides examples of what might be considered societal-level goals set by corporations. We looked for the following characteristics: measurability, addressing widely recognized problems, scope beyond that of the corporation itself, and collaboration with stakeholders. As the conversation at the meeting suggested, definitions of what can be considered societal-level goals are still emerging, and we hope that these examples are helpful in considering what might or might not be in this category. Because the focus is on the societal level, we have chosen to organize the appendix by societal-level challenge. We consider three issues: malaria, obesity, and community development.

These examples below are provided to illustrate contemporary corporate thinking around societal-level goal setting. The stories are culled from the publications of each corporation, and should be read and considered carefully. Evidence of societal-level goal setting does not necessarily mean that the company is a leader on social or environmental issues as related to its own operations, and metrics and numbers can be misleading.

Challenge 1: Reducing the Incidence of Malaria

Malaria is a life-threatening disease caused by parasites that are transmitted to people through the bites of infected mosquitoes. According to the World Health Organization (WHO), though malaria is preventable and curable, it caused nearly one million deaths in 2008, mostly among African children. Malaria can decrease gross domestic product by as much as 1.3% in countries with high disease rates. Reducing its incidence was a priority adopted by world leaders at the Millennium Summit in 2000. MDG 6: Combat HIV/AIDS, malaria and other diseases. Target 6c: Halt and begin to reverse the incidence of malaria and other major diseases.

- *Company:* Chevron
Initiative: Between 2008 and 2011, Chevron contributed \$30 million to the Global Fund to increase the number of interventions in the worldwide fight against malaria. \$5 million went to the Angolan government's efforts to combat malaria.
Goal: Chevron's goal is to reduce malaria cases in Angola by 60 percent by 2012.
Results: Between 2008 and 2009, Chevron's contributions to the Global Fund helped support the distribution of more than 440,000 long-lasting insecticide-treated nets (ITNs) in Angola. More than 211,000 pregnant women received intermittent preventative treatment, and more than 636,000 children under the age of 5 were successfully treated with artemisinin-based combination therapy.
See: <http://www.chevron.com/documents/pdf/AngolaCREnglish.pdf>
- *Company:* Marathon Oil
Initiative: The Bioko Island Malaria Control Project (BIMCP) started in 2003 as a 5-year, \$16 million program and was extended in 2008 for 5 more years. Total project spending has reached \$71 million.
Goals: The goal of BIMCP is to significantly reduce malaria transmission on Bioko Island, create a healthier environment for community members to work and live, and reduce infant and child mortality.
Results: Since the project's inception in 2003, the malaria caseload on Bioko Island has decreased 74 percent and the mortality rate of children under 5 years old has declined 64 percent.

See: <http://www.mcdi.org/mcdi/egmt.html>

Challenge 2: Reducing Obesity

The CDC defines obesity as ranges of weight that are greater than what is generally considered healthy for a given height, and the range of weight that have been shown to increase the likelihood of certain diseases and other health problems. Obesity in the US has been recognized as a national epidemic. The rate of adult obesity more than doubled from 15% to 32% in the past 25 years across the country. The World Health Organization (WHO) has called obesity an escalating global epidemic and estimates that globally 400 million people are obese.

- **Company:** Campbell
Initiative: *Campbell's Corporate Imperative CSR 2011 Agenda* outlines three 2020 destination goals to leverage the company's heritage, mission, and core competencies to define its opportunities and make a signature on society.
Goal: The 2020 destination goals include the societal-level goal to measurably improve the health of young people in its hometown communities by reducing hunger and childhood obesity by 50%.
Results: Though not yet published, Campbell has started the process of baseline measurement. As of 2011, Campbell has provided \$75,000 to the New Jersey Partnership for Healthy Kids-Camden and \$25,000 to the Food Bank of South Jersey for the Cooking Matters program, two nutritional education programs.
See: http://www.campbellsoupcompany.com/csr/pdfs/Campbells_2011_CSR_Report.pdf
- **Company:** Coca-Cola:
Initiative: As part of its system wide sustainability framework, *Live Positively*, Coca-Cola has outlined several key areas where the business has the opportunity to make the greatest contribution to communities worldwide and to create long-term value for the company. Its active healthy living focus area supports healthy lifestyles through product variety, nutrition education, and physical activity.
Goal: In 2010, Coca-Cola announced its commitment to the Healthy Weight Commitment Foundation and its goal of decreasing the total annual calories consumed in the U.S. by 1.5 trillion by the end of 2015.
Results: Progress towards achieving the Healthy Weight Commitment Foundation's goal has not yet been measured and/or made public. Coca-Cola has sponsored 150 physical activity and nutrition education programs in nearly 100 countries around the world.
Other companies/organizations involved: 170 retailers, food and beverage manufacturers, restaurants, sporting goods and insurance companies, trade associations and NGOs are involved in the Healthy Weight Commitment Foundation.
See: http://www.thecoca-colacompany.com/citizenship/pdf/SR09/2009-2010_The_Coca-Cola_Company_Sustainability_Review.pdf
- **Company:** PepsiCo UK and Ireland
Initiative: In 2009, PepsiCo joined the UK Change4Life campaign. The Change4life campaign is the marketing component of the government's response to rising obesity. In 2009, PepsiCo developed a print advertising campaign, which focused on the message "Active Parents Make Active Kids". The campaign aimed to encourage parents to take their children out to play more and featured two international football stars.
Goals: The goal of the UK Change4Life campaign is to reach 99% of families living in England (defined as an opportunity to see the campaign), in order to accelerate the government's goal of reducing national obesity levels to those of 2000, by 2020.

Results: Data published in November 2009 by the National Heart Forum suggested that obesity might be leveling off in children in the UK. However, many of the children who were measured by the NCMP and HSE were measured before Change4Life, so no credit can be ascribed to the campaign.

Other companies/organizations involved: At its launch, in addition to PepsiCo, Tesco, Asda, Association of Convenience Stores, Kellogg's, Fitness Industry Association, and ITV pledged their support to the campaign.

See: <http://www.pepsico.co.uk/our-company/working-with others/change4life>

Challenge 3: Community Development

Raising standards of living is always a concern in societies. Community economic development can take many forms including affordable housing, job creation, access to capital, and education, and can take different forms in the developing and developed world.

- *Company:* Southern Bancorp

Initiative: Southern Bancorp has undertaken the mission of revitalizing struggling rural communities (that have poverty levels exceeding 15 percent and 30-40 percent unemployment) in Arkansas and the Mississippi Delta. The company builds relationships with local residents, leaders, businesses, and nonprofits to establish community goals and develop the capacity to achieve them.

Goals: Southern Bancorp's community development model includes three 20-year goals for each county: 50 percent reduction in poverty; 50 percent increase in the high school graduation rate; 50 percent increase in employment.

Results: As of 2010, in its "hallmark community," Phillips County, the bank's work has generated over \$74 million in investment. Metrics for its three, ten-year goals will be based on verified, documented standards set to be complete in 2011. Provisional targets include, for example, "reduce the variance between state and local graduation rates by 3%."

See: <https://banksouthern.com/downloads/2010-2020-Phillips-County-Strategic-Community-Plan.pdf>, <https://banksouthern.com/methods/community-revitalization>

- *Company:* Timberland

Initiative: In 2003, Timberland provided funding for a partnership with CARE and Mamata non-profit organizations to develop the infrastructure in the Chittagong Export Processing Zone of Bangladesh, the location of a Timberland source factory, the YoungOne Corporation. The aim is to increase opportunities for community members and YoungOne factory workers.

Goal: One goal was to provide access to flexible micro-savings and credit facilities to promote savings behavior and provide credit for emergency and betterment opportunities.

Results: As of the end of 2008, the micro-finance program had more than 17,500 participants and had granted over \$2.6 million in loans with a 99% payback rate.

See: <http://community.timberland.com/Resource /PageResource/Corporate-Responsibility/Reporting-Downloads/Beyond-Factory-Walls-2009 Timberland-Report.pdf>