

CORPORATE RESPONSIBILITY: CALL FOR VIEWS

DEPARTMENT FOR BUSINESS, INNOVATION & SKILLS

NPC's response

September 2013

Here is NPC's response to the call for views on corporate responsibility (CR). In this response we focus mainly on questions three, four and ten. In summary, NPC has found that companies are generally at the beginning of their measurement journey when it comes to CR practise. The social value act and various voluntary awards and indexes are helping to advance companies' journey to effective measurement and practice. We welcome the growing trend in shared value approaches but make the point that corporate philanthropy and grant giving programmes must be recognised as a vital part of the CR ecosystem. We recommend shared measurement approaches and theory of change models to support the UK CR industry to flourish.

Please find below our response form with the answers to the consultation questions, starting from [page five](#).

About NPC

[New Philanthropy Capital](#) (NPC) is a charity think tank and consultancy dedicated to helping funders and charities achieve a greater impact. We have an ambitious vision: to transform the charity sector so it becomes as effective as possible in improving people's lives and creating lasting change for the better.

We provide independent research and advice for donors and charities alike. As the leading think tank for the charity sector, we encourage debate about what makes charitable activity effective and build knowledge and tools to support effectiveness.

We advise many companies on how to interact with the charity sector: their philanthropy initiatives, corporate responsibility strategies and corporate foundations—clients include [Nationwide](#), [Nomura](#), [Coutts & Co.](#) and [J.P. Morgan](#). We therefore see where corporate responsibility is developing and where other trends are heading. We are most interested in corporates delivering social value.

Our response to the consultation

We are pleased that the [Government is consulting](#) on this issue of corporate responsibility (CR). There has been increasing demand from the public for a more 'responsible' approach from businesses, not least in the wake of the banking crisis. A key element of this is the way that the corporate sector adds (or subtracts) to social value both through their explicitly charitable acts and their core business activity. This concept—pioneered by US experts FSG (especially Mark Kramer and Michael Porter) —is widely referred to as [shared value](#). In our response, we look at both of these issues—with a particular focus on the need to measure and report on what is done in this area.

In our experience, many companies lack a sophisticated approach to CR activities and are at the beginning of their measurement journeys. When we work with corporate clients, we advise that businesses should have a strategy for CR and should report CR activities using a tailored theory of change model; adopt shared measurement frameworks in sectors where such practices are developed; measure and report on what they do;

and strengthen the charity sector as a whole by selecting and supporting charities in ways that reflect best practice. In truth, many do few—if any—of these things.

Of course we know that the business case for CR has to be present. The general case has been made by a number of organisations, including [Business in the Community](#) (BITC), the [London Benchmarking Group](#) (LBG) and in our own [corporate giving guide](#) which lays out what effective philanthropy looks like. Most businesses understand the value of CR for their brand and profits, and recognise the benefits that the CR industry brings to the UK economy. These businesses use various membership organisations, voluntary awards and indexes to highlight their CR work. However these approaches can be limited.

According to the Directory of Social Change, corporate cash donations to charities appear to have [fallen by almost 16% in the last year](#). But this is alongside CR activities increasingly being expressed through business activities that, as a by-product, create social good. Shared value is becoming a term used by business to show that there are social benefits that can be achieved alongside and as a product of profit maximising activity. This trend highlights a reduction in *additional* corporate activities designed and intended to address specific social problems. Companies are adapting their profit-making activities in order to demonstrate a positive contribution to society—for example, by employing a large number of young people. In addition, firms are aware that their actions have social consequences and are looking at how to express and measure this when they make pro-social choices—for instance the decision to keep supplying free ATMs in a part of the country where they are ‘losing’ money.

We think that this trend for business activities to be aligned with CR is a good and healthy one that should be encouraged by government, as indeed the [Social Value Act](#) appears to be doing—to a degree at least. But it must be underpinned by a good measurement framework and transparent reporting or it will lead to cynicism—both amongst companies and the public. A good example of businesses creating well measured social value through volunteering, and not cash donations, is BITC’s [Business Connectors programmes](#). Here, business leaders are seconded for twelve months into the community. NPC provided the evaluation for this project, ensuring that learning on the ground was fed back into the design and delivery of the project.

None of this is easy, especially when we go beyond simple win-win approaches often highlighted so far in the social value literature—things like corporates cutting the amount of water used to produce a product in a part of the world short on water; or using more social enterprises in their supply chain. We take the view that a theory of change approach to creating and assessing contributions to social change is a logical and rational way to think about what impact CR activities are having and that they make the biggest impact possible. A [theory of change](#) is a tool that describes the change desired and the steps involved in making that change happen. We advise all our clients to use this approach and would **encourage government to recommend the theory of change approach as part of its advice to companies**.

We also promote a [shared measurement approach](#) to sector-specific problems that all players (funders, government and charities) can participate in. This is vital to ensure that resources flow to the places it can be best used. The [Inspiring Impact programme](#), supported by the Office for Civil Society, aims to embed impact measurement across the charity sector by 2022 and has been leading the work on this. The shared measurement approach encourages organisations to share and compare results, methods and lessons, and identify the most effective solutions. **We strongly encourage other sectors to adopt this shared measurement approach and believe this should be part of any new government framework.**

Shared measurement in action

As part of our work on the Inspiring Impact programme, and supported by Deutsche Bank, we have developed a shared measurement framework for youth unemployment: the **Journey to Employment (JET) framework**. This framework aims to establish a common understanding of what to measure in youth employability and how to do it, which will help charities to learn from each other and build the evidence base on what works. We worked with charities, funders, commissioners and social investors to create this framework which brings together tools and approaches already in use. The report detailing the framework was launched in May 2013 and has been downloaded over 1,300 times in the first three months.

NPC believes a shared value approach must recognise the continued importance of philanthropy and grant giving programmes as an integral part of CR activities. Some have a concern that corporate philanthropy and grant-making is being side-lined to make way for the new shared value 'type' of CR. Yet in any framework for action on corporate responsibility, the role of charities is an important and vital instrument for creating impact. Charities provide local insight and knowledge, as well as enabling corporates to make a difference through grant-giving programmes, volunteering and philanthropy. We prefer therefore to see the new shared value approach as an important addition: **to maintain a healthy CR ecosystem all these elements must remain and no one approach favoured by the government entirely**. But this does not let the more traditional corporate CR activity aimed at supporting charities off the hook in terms of reporting fairly and transparently.

We believe that in order to maximise the social value that traditional CR programmes can create, companies need to follow best practice in selecting and supporting the most effective charities. Our most downloaded publication *The little blue book*, and our *Selecting great charities* training, which is largely attended by corporate funders, focus on how to assess a charity's effectiveness.

Research soon to be published by NPC shows that corporate funders care about the impact of their grant-making now more than ever, but that they often don't support their grantees enough to measure their impact. This research—along with findings from our *Making an impact* report—show that grantees often change behaviour based on funders' demands, and so corporate funders could have a big role to play in influencing impact measurement practice within the charity sector and as a consequence increasing its effectiveness. **For this reason the government must continue to encourage such measurement approaches amongst corporates.**

As funders, corporates may also want to get involved in social investment—something the government is very keen on. Again funders need to think hard about how this works, ensuring they are not just displacing grant-making activity but adding to it and making sure they have rigorous measurement frameworks in place so that they understand the social value that their sub-market returns 'buy'.

For any further information on this response or NPC's work, please contact Tris Lumley in our Development Team: tris.lumley@thinkNPC.org



Corporate Responsibility: Call for Views Response Form

The closing date for this consultation is **27/09/2013**.

Please return completed forms to:

email: corporate.responsibility@bis.gsi.gov.uk

or by post to:

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Department of Business, Innovation and Skills
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London
SW1H 0ET

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	Large business (over 250 staff)
	Medium business (50 to 250 staff)
	Small business (10 to 49 staff)
	Micro business (up to 9 staff)
	Business representative organisation/trade body
✓	Charity or social enterprise
	Trade union or staff association
	Individual

	Central government
	Local Government
	Other (please describe)

Question 1: What more could Government do to encourage a greater number of companies to adopt internationally recognised principles and guidelines in their own corporate responsibility policies? How might Government, in a light touch way, measure this take-up?

N/A

Question 2: Should Government encourage more sector-specific initiatives and, if so, how might it do that? Do different sectors need different levels of Government support and involvement?

N/A

Question 3: Are comparable, voluntary metrics on social and environmental aspects desirable? What might be the costs and benefits of this? What role should Government play in determining what these metrics might be and how might we encourage more businesses to adopt them?

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We also take the view that a theory of change approach to creating and assessing contributions to social change is a logical and rational way to think about what impact CR activities are having and that they make the biggest impact possible. A [theory of change](#) is a tool that describes the change desired and the steps involved in making that change happen. We advise all our clients to use this approach and would **encourage government to recommend the theory of change approach as part of its advice to companies.**

The government can play a vital role in encouraging best practice. **We think that the trend for business**

activities to be aligned with CR is a good and healthy one that should be encouraged by government, as indeed the [Social Value Act](#) appears to be doing—to a degree at least. But it must be underpinned by a good measurement framework and transparent reporting (see our examples above) or it will lead to cynicism—both amongst companies and the public. A good example of businesses creating well measured social value through volunteering, and not cash donations, is BITC's [Business Connectors programmes](#). Here, business leaders are seconded for twelve months into the community. NPC provided the evaluation for this project, ensuring that learning on the ground was fed back into the design and delivery of the project.

Question 4: How might businesses demonstrate that the information they voluntarily capture and present is externally verifiable? What might be the costs and benefits of this?

A [shared measurement approach](#) ensures that information is externally verified by other players in similar (or the same) sectors. As part of our work on the Inspiring Impact programme, and supported by Deutsche Bank, we have developed a shared measurement framework for youth unemployment: the **Journey to Employment (JET) framework**. This framework aims to establish a common understanding of what to measure in youth employability and how to do it, which will help charities to learn from each other and build the evidence base on what works. We worked with charities, funders, commissioners and social investors to create this framework which brings together tools and approaches already in use. The report detailing the framework was launched in May 2013 and has been downloaded over 1,300 times in the first three months.

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As funders, corporates may also want to get involved in social investment—something the government is very keen on. Again funders need to think hard about how this works, ensuring they are not just displacing grant-making activity but adding to it and making sure they have rigorous measurement frameworks in place so that they understand the social value that their sub-market returns 'buy'.

Question 5: How might companies best manage their supply chains more effectively?
How might Government help with this?

N/A

Question 6: Should companies be obliged to be more responsible for actions within their supply chain? If yes, how could this be achieved without legislation? What would the costs and benefits be?

N/A

Question 7: How might Government best support small business to adopt responsible business practices? What particular challenges does Government face in trying to achieve this? How might it overcome such challenges?

N/A

Question 8: How might Government help SMEs publicise their responsible business behaviour?

N/A

Question 9: What role does larger business have in supporting smaller business? Is there an imperative for larger businesses to support smaller businesses? How might Government enable this?

N/A

Question 10: What are the main barriers to businesses contributing more to social outcomes?

In our experience, many companies lack a sophisticated approach to CR activities and are at the beginning of their measurement journeys. When we work with corporate clients, we advise that businesses should have a strategy for CR and should report CR activities using a tailored theory of change model; adopt shared measurement frameworks in sectors where such practices are developed; measure and report on what they do; and strengthen the charity sector as a whole by selecting and supporting charities in ways that reflect best practice. In truth, many do few—if any—of these things.

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Question 11: What more could Government do to make it easier for businesses to support social initiatives? How might Government showcase innovative approaches that others might consider adopting?

N/A

Question 12: How might the relationship between business and society be strengthened? How might Government support this?

Question 13: Is there any comment you wish to make on UK business and human rights generally?

Question 14: Should corporate responsibility be recognised as a profession?

Question 15: What more can Government, business and others do to improve information available to consumers who want to take ethical considerations in to account? Does this differ between sectors?

1.1. Further comments

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

For any further information on this response or NPC's work, please contact Tris Lumley in our Development Team: tris.lumley@thinkNPC.org

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply