Director Notes

A Stakeholder-Based Approach

Measuring the Effects of Corporate Social Responsibility

by Katherine N. Lemon, John H. Roberts, Priya Raghubir, and Russell S. Winer

As business organizations increasingly invest in corporate social responsibility (CSR), it becomes critical to accurately examine the effects of these endeavors. In particular, business leaders should be able to rely on a coherent set of metrics to assess and prioritize the goals of different stakeholders—the ultimate beneficiaries of CSR programs—and to regularly evaluate progress made by the company in pursuing those goals. This report discusses a model for measuring the efficient and effective use of corporate resources allocated to CSR activities.

Business organizations use CSR initiatives to build and strengthen relationships with multiple stakeholder groups. These groups may extend even beyond customers, suppliers, and competitors to include investors, employees, members of the board of directors, local communities, regulators, media, and financial markets. CSR activities affect a variety of different stakeholders, with potentially conflicting interests and goals. Because of the complexity of this context, corporations need to rely on a set of metrics to compare, integrate, and reconcile what may be quite disparate objectives. This report discusses a stakeholder-based approach to measuring the effectiveness of CSR activities.

Profitability enhancement Two reasons have been suggested for companies engaging in CSR initiatives: as a route to profitability and as an end in itself. First, company managers believe that CSR initiatives focusing on intermediate non-financial objectives with short-term negative cash flows may have a positive long-term effect on firm value. Corporate social responsibility can increase firm value in a variety of ways; specifically, by:

- facilitating the design of innovative products;
- attracting labor;
- attracting and retaining customers;
- reducing manufacturing costs; and
- providing reputation insurance in a crisis.[1,2,3,4,5]

In addition, the mere conduct of CSR activities can send a positive signal to regulators and investors, in turn generating financial results.[6,7,8] Documented examples of this

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causality link include pollution disclosures in annual financial statements and, in the past, divestment in apartheid South Africa.[9,10] For the same reasons, information about illegalities by managers and product recalls are shown to lead to negative financial returns.[11,12]

A virtue *per se* A qualitatively different reason espoused for CSR activities is that internal stakeholders such as employees, management, and board members may have a set of extra-financial values and life goals that motivates them to feel good about themselves by returning to society part of the wealth they create through their service at the corporation.[13,14] This leads to the question of whether stakeholders engage in a certain CSR activity because it is a virtue per se and irrespective of whether it has downstream benefits on the company.[15]

For these reasons, measuring (financial and extra-financial) costs and benefits of CSR to a range of stakeholders is critical for companies to make informed decisions regarding their CSR initiatives. However, CSR effects can be hard to identify and calibrate, as evidenced by over one-third of a century of research into whether (and when) CSR activities add value to the firm, over what time period, and through which pathways.

The Importance of Metrics in CSR

The effort to define CSR-related metrics is critical for the diffusion of CSR activities across corporations, as metrics allow for the goals of different stakeholders to be assessed and prioritized in a coherent manner. Since the publication of the first study examining whether pollution is profitable, the question of why companies "do good" and whether they "do well" by doing so continues to be a matter of academic debate: in economics, finance, accounting, marketing, management, business ethics, and corporate law.[16, 17, 18, 19, 20, 21, 22, 23] After more than 30 years of dedicated research on the relationship between CSR and financial performance, the answer to the question of whether CSR is profitable is an unambiguously clear: "It depends."[24]

The question of whether CSR activities pay off is a function of how a company:

- identifies and prioritizes its stakeholders and their respective goals;
- generates and pursues CSR options that are congruent with respect to its stakeholders' perceptions and preferences;
- measures the effectiveness of the CSR activities undertaken to pursue such goals; and
- measures the efficiency in the use of the resources allocated to such CSR activities.

Calibration, evaluation, and justification

The primary function of metrics is to calibrate, evaluate, and justify decisions that have been executed in the past (i.e., performance measurement) and/or are being considered for the future (i.e., planning and option evaluation): in this sense, metrics are both backward and forward looking.

The calibration function of metrics involves converting decision alternatives that *prima facie* appear incomparable into a set of consequences scaled on desirability. This conversion process enables the company to make a business decision that is sound, informed, and justifiable.

The evaluation function of metrics involves measuring the performance of different options given certain required inputs (i.e., resources) and external benchmarks (including future goals, past performance, comparison to other organizations, and the status quo). This function enables a prioritization of those decision alternatives that is based on agreed organizational goals.

The justification function allows people in organizations with different points of view to argue a case for or against a course of action using a common set of terms and definitions. This function of metrics is particularly important when a course of action is relatively new or without precedent, and when there are dissenting points of view since metrics provide a common currency (or language) for debate and evaluation.

Metrics translate goals into measurable input and output. They are used in every traditional functional domain of an organization. They range from dollar metrics (in finance), to throughput (in operations), and employee satisfaction (in management). Common marketing metrics include sales revenue, profitability, penetration, advertising reach and recall, customer satisfaction, customer lifetime value, and brand loyalty.

Metrics can greatly help to establish the business legitimacy of CSR.[25] Without metrics, companies that believe in CSR will continue to do so (e.g., The Body Shop), while the idea fails to become a business imperative among industry peers. Indeed, evolving market circumstances or a sudden ownership change may lead to abandoning that same idea. However, with metrics those who doubt the rationale for engaging in CSR-related activities (or have been delaying their decision to engage in them) are more likely to enter the field since the benefits of doing so are demonstrable. Thus, metrics play a persuasion role to help CSR-related activities "cross the chasm" from the innovator and early adopters to a broader base of mainstream users.[26]

Metrics increase the ease of observing and communicating the benefits of an idea, simplify a complex decision-making process by using a measurable common denominator, and ultimately legitimize a risk-undertaking course of action. In good times, without metrics to calibrate its effects, CSR may be adopted either as an act of faith or a form of charity; with metrics, CSR can become an element of business strategy and survive organizational upheavals, economic downturns, and other adverse internal or external circumstances.

The AGREE model This report discusses a model for measuring and balancing the effects over time of CSR activities on different stakeholders. The model refers to the:

- Audience of the CSR activity;
- Goals of the stakeholders;
- Resources used to achieve stakeholder goals;
- Effectiveness with which stakeholders' goals are realized; and
- Efficiency of the use of the resources deployed to realize such goals.

Audience

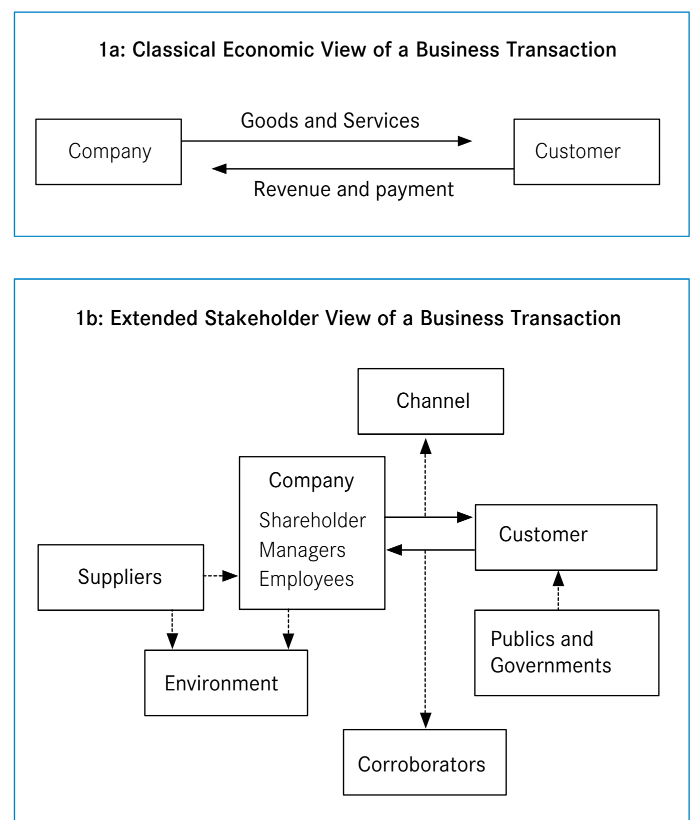
What is the audience of CSR? Is it the investor or the customer? Is it the employee, the legislator, or the company's board of directors?[27, 28, 29] Is it the supplier or the consumer welfare group? Can the audience for CSR be the community itself, with virtue being CSR's own reward?[30]

CSR is the taking into account of the objectives, values, and preferences of all individuals or groups of individuals who have an interest in the actions of the company—that is, its stakeholders. In this sense, CSR accounts for externalities that a myopic, profit-maximizing corporation might otherwise neglect.[31]

A corporation is a nexus of relations; and corporate action affects multiple individuals.[32] This may be illustrated using Figure 1, below. Figure 1a shows the classical market-based company that sells goods and services to a customer in a profit-maximizing way, either by optimizing the revenue

Figure 1

Traditional and Extended Views of Business Activity and Firm Performance



it gains given incurred costs or by minimizing the costs required to generate certain revenue amounts. Figure 1b considers other potential stakeholders, including suppliers, employees, the environment, the government, and the general public.

Metrics permit an analysis of how the business world would be different if each company took into account the interests of various stakeholders. This is because, at a minimum, metrics allow comparability across the different dimensions that are salient to all stakeholders. Metrics also allow the examination of outcomes across different time periods—a relevant issue, as stakeholders' inter-temporal discount rates are high, with long-term benefits undervalued compared to short-term gains.[33] Examples of metrics associated with various stakeholders can be seen in Table 1.

Table 2 p. 5, outlines examples of possible resource misallocation decisions due to lack of an extended stakeholder view of the business similar to the one illustrated in Figure 1b. Acts of commission occur when business organizations do things that are inappropriate (e.g., Nike's use of Asian sweatshops).[34] Acts of omission happen when organizations fail to do things they should do (e.g., the decision of a financial firm operating in emerging markets to not offer micro-finance facilities).

Goals

With respect to the goals of CSR, a company faces two primary assessment challenges:

1. First, measuring CSR over time. Given that CSR outcomes can be realized over different time periods, a company faces the challenge of choosing CSR metrics adequate to assess both short-term and longer term effects.[35]
2. Further, measuring the utility of CSR for multiple stakeholders. Given the range of stakeholders and their different interests, a company faces the challenge of choosing CSR metrics adequate to assess multiple types of utility as well as the challenge of adopting a method of calculus for combining these resulting assessments in a balanced way.[36]

These issues are discussed next.

Table 1

Examples of Stakeholder Metrics

Audience for CSR	Goal Hierarchy	Effectiveness Metrics
Society	Educated, Healthy, Wealthy, Happy, Stable, Cohesive Community.	Quality of Life Indicators: Physiological (Health), Economic, Educational, Social, Psychological. Examples: Percentage of population impacted; Life expectancy; Literacy rates; Income/nutrition p.c.; Disease Incidence rates; Birth/ Death rate by age.
Environment	Sustainable.	Sustainability; Improvement in indices; Pollution and toxicity levels (water, air, other).
Regulators, Auditors, NGOs	Ensuring compliance with existing regulations; Identifying new regulations to keep consumer welfare interests in line with corporate profitability goals.	Credit from regulators; Inclusion in CSR indices.
Media	Providing accurate, timely, and newsworthy information to the public.	Quantity and quality of press impact.
Financial Markets	Stability, Growth, and Profitability.	Rates of Return, Volatility, turnover, and liquidity over time.
Economy	Stability, Growth, and Profitability.	GDP/ GNP, per capita and overall; Debt ratios, foreign exchange reserves.

A time dependent calculation model of multi-stakeholder CSR goal-based utility To calculate how a stakeholder (i) might evaluate the outcome (y_{ijk}) of a certain CSR activity (j) on a range of relevant dimensions (or attributes, k), the interest borne by the stakeholder is considered.

The basic calculation model is a standard multi-attribute utility model that takes the weight that i puts on each dimension (w_{ik}) and uses the level of performance (y_{ijk}) to determine the utility (U_{ij})gained by stakeholder i from action j.[37]

Equation 1

$$U_{ij} = \sum_k w_{ik} \times y_{ijk}$$

To illustrate the calculation model by means of a simple example, assume for the moment that the only stakeholder is the customer (stakeholder i), and the two primary customer-related dimensions (attributes) being considered by the company are the impact of a charitable donation (the CSR activity, j) on brand equity and on sales (the outcomes, y). Further, assume that the weight associated with the outcome of brand equity is 0.6 and the weight associated with the outcome of sales is 0.4. The costs of the two programs are assumed equal.++

Table 2

Potential Misallocation Decisions Ignoring Figure 1b Externalities

Audience for CSR	Short-Term Cross-sectional	Long-Term Inter-temporal
Acts of Commission	Externalities are not identified, leading to high net cost activities. Example: *Nike's use of Asian sweat shops.* If Nike had identified labor and society as stakeholders, they could have explicitly examined the implications of the release of this information on other stakeholders, such as consumers, regulators, and financial markets. Typical Metric: CO_2 emissions associated with an airline ticket	High discount rates on future costs encourage projects with future problems. Example: *Companies continued use of technologies that lead to high pollution levels*. If companies account for and measure the positive benefits of their sustainable technologies on the environment they can explicitly examine the effect of this information on their other stakeholders: customers regulators markets. Typical Metric: Future obesity rates associated with unhealthy food for children.
Acts of Omission	Lack of market mechanisms lead to valuable problems not being funded Example*: Banks prior to Grameen Bank did not undertake Micro-financing, unsure of the risk-reward payoffs.* If other banks had identified society as a stakeholder, they could have examined the profitability of entering poorer segments of society. Typical Metric: Aluminum recycling rates as a result of failing to have a soda can deposit scheme.	High discount rates on future benefits penalize valuable potential projects. Example: *Companies choosing not to engage in "Project (Red)TM". In contrast, Gap has increased the sourcing of products in its "Project Red" campaign, hoping for economic trickle down effects to reduce the spread of AIDS, and hence reduce the turnover in their factories.* By recognizing that their labor and the society in which it resides is a stakeholder, Gap is able to develop a cohesive project that is win-win for customers, labor and society. Typical Metric: Future marine biodiversity as a result of failure to launch biodegradable detergents.

Finally, assume that, based on consumer behavior research, the company determines that a donation to a children's health program (e.g., The Global Alliance for Vaccines and Immunization, or GAVI) would improve the company's brand equity by 10 percent and sales by 20 percent.[38] Based on the same internal research, the company also establishes that a donation to an environmental cause (e.g., The Sierra Club) would increase brand equity by 20 percent and sales by 3 percent.[39]

Under the calculation model illustrated above, in order to decide to which of these two charities it should donate, the company would compute the utility associated with both, as follows:

GAVI: 0.6 x 1.10 + 0.4 x 1.20= 0.66 + 0.48 = 1.14

The Sierra Club: 0.6 x 1.20 + 0.4 x 1.03 = 0.72 + 0.412 = 1.13

Based on this calculation, the company would conclude that GAVI—the children's health campaign—is a donation cause that generates the higher utility.

To include a richer set of environmental phenomena, this calculation model could be further elaborated by accounting for time and the interactions of multiple stakeholders.

Accounting for time Time can be incorporated in this formulation by recognizing that net benefits (or net costs) of the outcome on dimension *k* may accrue over a certain time period (*t*), so that y_{ijk} is the sum of benefits (costs) over time (y_{ijkt}), suitably adjusted by the discount rate (r_{ik}, which is specific to individual stakeholders):

Equation 2

$$y_{ijk} = \sum_{i}^{T} y_{ijkt} / (1+r_{ik})^{t}$$

In the example above, assume that the benefit of "doing good" on brand equity "deteriorates" less rapidly than its effects on sales: that is, 10 percent vs. 60 percent per year. In this case, the calculation above would be modified in the following way in the second year of the proposed program:

GAVI: (0.6 x 1.10)/(1 + 0.10) + (0.4 x 1.20)/(1 + 0.60) = 0.90

The Sierra Club: (0.6 x 1.20)/(1 + 0.10) + (0.4 x 1.03)/(1 + 0.60) = 0.912

Therefore, in the second year of the proposed CSR activities, The Sierra Club—the environmental program—would generate a higher utility, while over the entire two-year period the benefits of each program are fairly equal (1.14+0.90 versus 1.13+0.91).

Accounting for multiple stakeholders The next step is to consider how the agendas of different stakeholders may be combined into a total public welfare figure (U_j). The most obvious way to do this is in a linear fashion: that is, by assigning different weights to each stakeholder (λ_i). As a result, U_j is given by the sum of each stakeholder's utility (U*ii*) weighted by the strength of the claim of that stakeholder (λ_i). :

Outsourcing Practices and AIDS Prevention Programs

A number of U.S. companies are committed to contribute to reducing the spread of AIDS in the African communities where they outsource some of their production needs.[a] This commitment may reflect an attempt to contain turnover rate in factories employing labor from communities stricken with AIDS as well as the companies' belief that "Trade, Not Aid" is the route to bring long-lasting, sustainable development in Africa.

In addition to reducing the spread of AIDS, members of those local communities may have a range of alternative or additional goals related to improving their lives, including the introduction of safe water technologies or of direct subsidies for programs on health, education, and sheltering. On some levels, these other goals may be viewed as more important than an AIDS prevention program, as they would bring tangible results in a shorter and more immediate time period. For this reason, using a metric that assesses the (positive or negative) consequences of an AIDS-related initiative while balancing these other community goals should be an integral part of those companies' CSR activities.

a Bobbi Silten, *Practitioner Perspective: Bobbi Silten, Gap, Inc.*, Speech at the Stakeholder Marketing Consortium, Aspen, Colorado, September 14, 2007.

Equation 3

$U_j = \sum_i \lambda_i \times U_{ij} = \sum_i \lambda_i \sum_k w_{ik} \times y_{ijk}$

Continuing with the simple example introduced (without accounting for time), the company's decision might be different if one relaxes the assumption that there is only a single stakeholder and allows for the presence of a second stakeholder—e.g., the employee. Assume, for simplicity, that the two employee-related attributes being considered by the company are the ability to attract (weight 30 percent), and retain (weight 70 percent) employees. Donations to the children's health cause may improve the ability to attract employees by 1 percent, but affect the ability to retain employees by 15 percent. On the other hand, donations to the environment cause may have the effect of improving the ability to attract employees by 15 percent and to retain them by 10 percent. In this case, by applying Equation 1, the overall employee-related utility of donating to the two causes looks as such:

GAVI:	0.3 x 1.01 + 0.7 x 1.15= 0.303 + 0.805 = 1.108
The Sierra Club:	0.3 x 1.15 + 0.7 x 1.10 = 0.345 + 0.770 = 1.115

CSR programs should be tailored to a thorough analysis of key stakeholder relations and based on a prioritization of the stakeholder interests the company intends to pursue. Therefore, in the example above, should the company base its decision on the utility generated by each hypothetical program on the company's employees, it is likely to opt for the environmental cause. If, however, the company desires to engage in a program that pursues the combined interests of customers and employees, Equation 3 in the model would yield the following result:

GAVI:	1.140 + 1.108 = 2.248
The Sierra Club:	1.132 + 1.115 = 2.247

In the same example, by increasing the weight assigned to the customer, the company would be likely to choose the children's health program, while the environmental cause would be preferred if the weight assigned to the employee is to be higher.

More complex models are possible but will not be discussed in detail in this report. One of them is a compound conjunctive model of decision making, where the company decides to secure a minimum, acceptable level of utility on one or more of the stakes involved and then to maximize utility over the remaining stakes weighted by their importance.[40]

Accounting for uncertainties Another way in which this basic model could be elaborated is to incorporate uncertainty, including the uncertainty of regulatory or enforcement action. For example, in principle, a company that dominates a certain business market could view it as appropriate to deny market access to its competitors by bundling its dominant product with a number of complementary products so as to force consumers of the major product to forego choice on the complements. However, under a more sophisticated utility calculation model that accounts for uncertainties, the calculation of the utility of this behavior would discourage its ultimate adoption as it factors in the chances of a regulatory action against the firm's behavior and a consumer backlash.

Resources, Effectiveness, and Efficiency

With respect to the resources ("inputs") allocated to CSR activities, it is useful to measure the effectiveness and the efficiency of their use to realize stakeholder goals ("outputs").

Inputs Commonly used resource-related measures of corporate social performance (both positive and negative) may include:

- charitable contributions and philanthropic acts;
- revealed misdeeds;
- transparency of reporting; and
- corporate policies and statements of ethics.[41, 42, 43, 44]

Aside from financial and production resources deployed directly by the company, other resources that may be required by CSR activities include tax and other incentives (and sanctions) from governments, infrastructure resources and engagement services from communities, and attitudes and behaviors from customers and channel collaborators.

Outputs Corporate social responsibility outputs can be measured quantitatively and qualitatively, and subjectively or objectively. They can be intended or unintended outputs, short-term or long-term outputs, and depend on the different interests borne by each stakeholder. As discussed earlier, the scope of this report is restricted to quantitative metrics; however, it is important not to dismiss the critical role that qualitative metrics play in a more holistic decision-making process, as they are better than numbers in capturing human emotions and other subjective factors.

Quantitative measures alone may lead to a bias towards financial outcomes. For example, at a national level, metrics such as gross national happiness in Bhutan represents attempts to include such variables in estimates of national performance, overcoming shortcomings of more traditional measures such as gross domestic product.[45]

Subjective output measures include self-reports and observer reports of corporate performance (e.g., ratings from the Fortune 500 database of most admired companies), whereas objective outputs are based on third-party audits (e.g., Superfund site liabilities) and membership into specific categories (e.g., the Kinder Lydenberg Domini Index, which evaluates companies on eight dimensions).[46]

Metrics of intended consequences relate to the extent to which a CSR effort achieved its specific goal (e.g., a reduced percentage of child labor). Metrics of unintended consequences explore the ramifications of that goal in terms of other desirable consequences (e.g., a increased percentage of children attending school) as well as potential undesirable consequences (e.g., reduced income levels, higher crime rates, higher unemployment rates). These unintended consequences may affect multiple stakeholders.

Outputs can further be thought of as short-term and long-term, with shorter term outputs often cumulatively leading to trickle down into longer term outputs. In order to be useful in the decision-making process on CSR activities, metrics need to be able to allow comparability between longer term, trickle down effects and the more direct, shorter term effects.

Finally, output metrics can be domain-specific (e.g., environment, social, labor, health, education, etc.), or based on a more generally applicable set of standards (e.g., financial, accounting, or marketing measures). For example, if improving the environment is to a company an end in and of itself, then measures that incorporate the level of emissions and toxicity would be appropriate distal outputs. However, if improving the environment is a means to boost corporate reputation in the marketplace, then the most appropriate distal output would be brand equity or stock price.

For all of these reasons, many CSR researchers are interested in examining the effects of CSR investments on a variety of qualitative and quantitative outcome measures, such as market share, price premium, product quality, and customer loyalty. For example, some researchers have developed a model of consumer response to CSR that investigates the relationships between CSR initiatives and price premium, customer loyalty, and word of mouth.[47] Other research examines the relationship between investments in corporate citizenship activities and customer lifetime value (CLV), and finds that, for some industries, such investments have a significant, positive effect on CLV.[48]

By combining tools to assess the CSR activity's audience, its goals, and the efficient and effective use of resources for CSR purposes, the AGREE approach permits a subtler and multifaceted view of the complex nexus of stakeholder relations in which the business corporation operates. It also encourages engaging stakeholders in identifying the short-term and long-term consequences of a course of action being considered. As mentioned above, a company's choice of which CSR activity to pursue is contingent on balancing the stakes across different stakeholders, each with different short-term and long-term interests and objectives. For example, increasing health benefits to employees would improve employee satisfaction, but it may come at the expense of short-term profitability. Similarly, unethical forms of outsourcing would reduce product price and favor market penetration, but at the cost of harming the local communities to which the production is outsourced—an external stakeholder.

Complicating Issues and Next Steps

This report sets out an approach toward CSR metrics that incorporates multiple stakeholders, their different interests, and inter-temporal returns and costs. It is important to recognize that the proposed approach is not without difficulties and complexities. This final section discusses some of these challenges.

Balancing competing and sometimes incompatible objectives While the calculation model described on pp. 5-7 and its more complex variants offer a method for combining the interests of different stakeholders, it is reasonable to expect that each stakeholder will have different perceptions of the weight that should be attached to different stakes. Examples include the protests against firms that invested in South Africa during the apartheid era and the attacks against Starbucks stores during the Seattle WTO meeting in 1999.[49] Although potentially complex, the useful role of CSR metrics and the analysis that accompanies them is that they provide a framework within which to discuss stakeholder trade-offs. To achieve this, a reasonable benchmark is a system that improves equity and transparency, allows trade-offs to be explicit, and identifies improvements in effectiveness and efficiency.

Green washing and the problem of ensuring the credibility of CSR Like many other activities, CSR is subject to a free-rider problem. Companies seeking the benefits but not fundamentally embracing a coherent CSR program may dilute the goodwill created by socially aware and truly responsive business organizations. In the area of environmental CSR, this phenomenon has been termed "green washing." One important role of metrics is for companies systematically engaging in CSR-related activities to be able to differentiate themselves from others that claim to do so based on merely sporadic and superficial efforts.

A concern among practitioners is that the CSR "brand name" may get misused, leading to consumer skepticism, with a potential backlash against not only the companies engaging in green washing but also CSR itself and the companies that genuinely practice it.[50] For example, in the United States, legislation is being considered to regulate "embedded giving"—the fundraising practice in which firms bundle a gift to charity into an everyday purchase.[51] Programs that offer to donate a small percentage from every purchase to a specific charity represent one form of embedded giving. Currently, firms are not required to disclose what percent of the purchase will be donated to charity; therefore, public accountability of CSR claims would help reduce any such backlash from consumer skepticism.

However, such accountability is only possible in the presence of well-defined metrics. Trusted third parties such as fair trade organizations are already springing up to fulfill this role. For example, The Global Reporting Initiative (GRI) formulated a framework and guidelines for disclosing information about corporate sustainability programs, and encourages firms to report on their economic, environmental, and social performance in the manner they are accustomed to doing for their financial performance.[52] Auditing practices using commonly accepted metrics, such as those in the GRI guidelines, would be an effective mechanism to prevent cheap talk, ensure authenticity, and establish transparency of CSR initiatives.

Inter-temporal discount rates–what matters, when, and to whom? As briefly noted earlier, another critical issue has to do with the inter-temporal effects of CSR. It is difficult for individuals and organizations to accurately evaluate potential future outcomes, and even more difficult for people to incur short-term costs for long-term benefits. To exacerbate this problem, the capital and reward structures of most companies are short-term focused. In terms of CSR metrics, this suggests that business corporations are more likely to consider—and more heavily weigh—short-term effects of CSR initiatives relative to long-term ones. For this reason, it is crucial to develop a set of CSR metrics that cover the temporal spectrum—capturing the effects of CSR in the short-, medium-, and long-term, across multiple stakeholder groups. If such metrics can be identified, they may be able to reduce conflicts between stakeholder groups, recognizing their distinct interests (with differing timeframes) and enabling discussions and comparisons across them.

The Future of Measuring CSR

It has been exciting to watch the growth of the corporate social responsibility field over the last 10 to 15 years. In particular, over the past decade, CSR has been moving past definitions and toward measurement and implementation.[53] This report intends to take a next step in that direction.

It is time for business corporations to embrace the complexities of CSR metrics. The conceptual underpinnings of CSR are now better developed, understood, and accepted. Further, there have been significant advances in the area of CSR-related metrics, especially in linking resources (or inputs) to stakeholder goals (or outputs). Finally, there is continued rising interest in the value of CSR to firms and the importance of sustainability.

Together, these three developments make it possible and appropriate to develop, test, and validate CSR metrics. The charge for future research is to identify a range of metrics that companies can use to measure the impact of their actions and non-actions on a range of stakeholders. The measures in the last column of Table 1 provide a starting point toward this. However, future research must examine how well these measures are able to tap into the extent to which stakeholder goals were satisfied (i.e., effectiveness criterion), how costly they are to collect, and how persuasive they are in making a case for a CSR action. Hopefully the process described in this report of understanding different stakeholders and translating their goals into specific measurable metrics provides a framework that can move the field forward.

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About the Authors

Katherine N. Lemon holds the Accenture Professorship and is a professor of marketing at Boston College's Carroll School of Management. Professor Lemon's main areas of research expertise are customer management, customer equity, and the dynamics of customer-firm relationships. She has published over 50 articles in journals and books including the *Journal of Marketing, Journal of Marketing Research, Marketing Science, Management Science,* and the *Journal of Service Research*. She has received several best article awards for her research, including the Sheth Foundation/ *Journal of Marketing* Award in 2009. Professor Lemon is the editor of the *Journal of Service Research*. She also serves on the editorial boards of the J*ournal of Marketing, Journal of Marketing Research, Journal of the Academy of Marketing Science,* and the *Journal of Interactive Marketing*. She is also an academic trustee for the Marketing Science Institute. She received her Ph.D. from University of California, Berkeley. Prior to her academic career, Lemon held senior level marketing positions in the high technology and health care industries.

John H. Roberts holds a joint appointment as professor of marketing at the Australian National University and the London Business School. He is also an Emeritus Scientia Professor at the University of New South Wales. He completed his Ph.D. and M.S. at the Massachusetts Institute of Technology after receiving master of commerce and honors arts degrees at the University of Melbourne. Roberts has 13 years senior management experience as a market research manager, marketing operations manager, and marketing director. He has won the American Marketing Association's John A. Howard Award for the top doctorate in the United States, its William O'Dell Award for the most influential piece of research published in the *Journal of Marketing Research* published five years previously, and its Advanced Research Techniques Forum Best Paper Award. He has been a finalist in the Society for Marketing Science John D. Little Award for the top marketing science paper three times, and runner-up in its Best Marketing Practice Award twice. Roberts sits on the editorial boards of the *Journal of Marketing Research*, *Journal of Forecasting, Marketing Science, International Journal of Research in Marketing, Quantitative Abstracts in Marketing,* and *Review of Marketing Science*.

Priya Raghubir is a professor of marketing and the Mary C. Jacoby Faculty Fellow at the Stern School of Business, New York University. Raghubir's research interests are in the area of consumer psychology, including psychological aspects of prices and money, risk perceptions, visual information processing, and survey methods. She has published over 50 articles in journals and books, including in the *Journal of Consumer Research, Journal of Marketing Research, Journal of Consumer Psychology, Journal of Marketing,* and *Marketing Science*. She is an associate editor at Management Science, and is on the editorial boards of *JCR, JMR, JR,* and *Marketing Letters*, and has presented her work over a hundred times at universities, symposia, and conferences worldwide. Raghubir received her undergraduate degree in economics from St. Stephen's College, Delhi University; her M.B.A from the Indian Institute of Management, Ahmedabad; and her Ph.D. in marketing from New York University.

Russell S. Winer is the William Joyce Professor and chair of the department of marketing at the Stern School of Business, New York University. He received a B.A. in economics from Union College and an M.S. and Ph.D. in industrial administration from Carnegie Mellon University. He has written three books, *Marketing Management*, *Analysis for Marketing Planning*, and *Product Management*, and a research monograph, *Pricing*. He has authored over 70 papers in marketing on a variety of topics including consumer choice, marketing research methodology, marketing planning, advertising, and pricing. Professor Winer has served two terms as the editor of the *Journal of Marketing Research*; he is a past co-editor of *Journal of Interactive Marketing*; he is an associate editor of the *International Journal of Research in Marketing*, and he is on the editorial boards of the *Journal of Marketing*, the *Journal of Marketing Research*, and *Marketing Science*. He is the most recent past executive director of the Marketing Science Institute in Cambridge, Massachusetts. He is the 2011 recipient of the AMA Irwin/McGraw-Hill Distinguished Marketing Educator Award—the highest honor a marketing educator can receive.

Editor's Note

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About the Series Director

Matteo Tonello is research director of corporate leadership at The Conference Board in New York. In his role, Tonello advises members of The Conference Board on matters of corporate governance, regulatory compliance, and risk management. He regularly conducts analyses and research in these areas in collaboration with leading corporations, institutional investors, and professional firms. Also, he participates as a speaker and moderator in educational programs on governance best practices. Recently, Tonello served as the co-chair of The Conference Board Expert Committee on Shareholder Activism and as a member of the Technical Advisory Group to The Conference Board Task Force on Executive Compensation. Before joining The Conference Board, he practiced corporate law at Davis Polk & Wardwell. Tonello is a graduate of Harvard Law School and the University of Bologna.

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For more information on this report, please contact:
Matteo Tonello, LL.M., S.J.D., research director of corporate leadership, at 212 339 0335 or matteo.tonello@conferenceboard.org

THE CONFERENCE BOARD, INC. www.conferenceboard.org

AMERICAS +1 212 759 0900 / customer.service@conferenceboard.org

ASIA-PACIFIC +65 6325 3121 / service.ap@conferenceboard.org

EUROPE/AFRICA/MIDDLE EAST +32 2 675 54 05 / brussels@conferenceboard.org

SOUTH ASIA +91 22 23051402 / admin.southasia@conferenceboard.org

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