

METRICS FOR MEASURING CSR IMPACT

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In the quickly developing world, defined by the exponential growth of technologies, changing societal values, globalization processes – all that against the backdrop of persistent environmental and social problems, corporate social responsibility (CSR) remains an important self-regulating mechanism that companies use to mitigate potential harm they can inflict on society or to create social good for the global or local communities.

Although the motives behind CSR can be different, the need for CSR is barely disputed in today's business world. CSR has become an integral part of business models rather than a set of separate activities and actions. One of the challenges CSR management is measuring the impact of a company's CSR initiatives. The more tightly CSR is integrated into the business model, the more multidimensional its impact is, the more different metrics can be used for measuring this impact. In this study, we provide an overview of the approaches to measuring CSR performances and propose a classification of CSR metrics based on their external or internal orientation.

One of the most common approaches companies can use when deciding what social impact they can produce and how to measure it is tapping into the international CSR-related frameworks that provide guidance for the choice of metrics and targets (e.g. SDGs, ESG, SASB standards, the Stakeholder Capitalism Metrics, GRI, the Integrated Reporting Framework). Companies can also use their industry benchmarks – the best performances in the CSR sphere and the metrics used by the industry leaders. Also, the choice of metrics can (and should) be based on materiality assessment, whose results can be significantly improved through stakeholder engagement.

Depending on the target audience, motives behind CSR and the purpose of measurement, the metrics used for tracking companies' performances in the CSR sphere can be externally or internally oriented. Externally oriented metrics reflect the impact of CSR on the environment (e.g. CO₂ emissions, waste recycled (%), renewable energy (%)) or the creation of social good (e.g. diversity and inclusion (%), gender pay gap (%), hours volunteered by employees), or can be related to governance (e.g. ratio of CEO compensation to median for all employees, number of data breaches). Internally oriented metrics are of more interest to the company's management and have a more direct effect on the company's bottom line. Among them are metrics that have been traditionally used in HR or marketing management, and that are now extended to measuring the impact of CSR (e.g. employee satisfaction, employee turnover rate, customer retention rate, social media engagement). If a company creates a shared value, i.e. economic and social value simultaneously, the corresponding metrics can be externally and internally oriented at the same time. For example, CO₂ emission is a mostly externally oriented metric, while water or energy consumption can be both. As CSR becomes deeply embedded in companies' business models, more and more externally and internally oriented metrics can be used to measure both the direct and indirect effect of CSR on society and companies themselves.