

Social Value Analysis

An exploration by four pioneers



Introduction

What is the value of cleaning in a hospital? What value creates a healthy environment in your house? How would you describe the value of mobility? And what exactly is lost if hygiene, a clean living environment or mobility is lacking?

These are difficult questions, however more and more companies are asking them. If you think that the economy, and therefore your organization, does not solely revolve around financial value, but also social and ecological value, you will also want to analyze that value as concretely and tangibly as possible.

Organizations that give these seemingly vague concepts color and meaning are in a better position to understand how they can add value. Moreover, they discover how insight into the social value can be a building block for strategy and proposition.

The Dutch Railway System (Nederlandse Spoorwegen - NS), Primum (a subsidiary of Volker Wessels), USG People, and Vebego took on the challenge last year to make their social value measurable and transparent. They wanted to make better and more informed choices for the world around them, and certainly for their own business as well. Here is the story of their coalition. A story of a year of pioneering, sparring and collaborating, which led to hard bottom line results.



Social Capital Protocol

The focus on social value has been increasing worldwide. Businesses have recently developed various tools and methods to make social value measurable and transparent. For example, there is the Social Return on Investment methodology and Social Value UK. This has created quite a stir and put things into motion, but the multitude of tools and methods is also a barrier to the smooth integration of social value measurement in business. Therefore, the World Business Council for Sustainable Development (WBCSD), in which The Sustainable Business Association (De Groene Zaak) functions as regional partner, created in collaboration with some twenty companies a *Social Capital Protocol*. It is a harmonized methodology which helps companies integrate social capital in measuring and valuing business performance. The results of the coalition described herein contribute to the development of this Social Capital Protocol. You can read the findings of the Coalition in the paper "Social Capital and Decision-Making 'Social Capital and Decision-Making'¹

What are the challenges we face?

The increased focus on social value does not fall from the sky. The urgency is high. Social and societal issues present us, nationally and internationally, with major challenges. How do we keep our labor market level, given the aging population? And how should we deal with high unemployment², poverty³ and the growing number of people with debt in the Netherlands?⁴

It goes without saying that the above social and societal challenges are closely related to environmental and financial questions. So it requires a comprehensive vision and approach. And this approach starts with insight into each of these three areas: financial, environmental, and social.

Opportunities

Businesses play a key role in this dynamic. They can, after all, support or destroy social value. Understanding their potential impact and added value enables companies to make more informed and better decisions. This benefits the organization, employees, clients and society. Value is created at a strategic level, with the definition and capitalization of new market opportunities. A clearer view on social values (factors) can also provide new and better insights in the area of risk management and public relations.

Better understanding and a more proactive approach to socio-economic and social risks gives companies a huge advantage in their risk management. They are better able to predict the demands of their customers and therefore enhance their value. Good governance and high social standards are also important tools in order to restore public confidence and to deepen and thus establish a lasting foundation for their license to operate.

Definition

Social value (creation) is not an easy concept to understand. That became apparent to the four coalition partners over the last few years. The increased focus on this theme has given way to terminology such as social value, social impact, social added value and social value creation with each phrase placing a different emphasis and has different meanings for different organizations. In this publication we have chosen to speak about social value creation. Not primarily as a pretense, but as an objective for businesses to add value to people and society.



² Labor market and unemployment per month, Central Bureau of Statistics, September 2015

³ Poverty Signs 2014, Central Bureau of Statistics, December 2014

⁴ 'CBS: Debt per household has risen again,' Central Bureau of Statistics, July 8, 2015

Four cases



Primum

How do we measure our impact on quality of life? This question formed the basis of the Primum's participation. And with good reason. "Building a better quality of life" is indeed one of the objectives of the construction group VolkerWessels, of which Primum is a subsidiary. But what is quality of life, exactly? And to what extent do you as a construction group have a grip on it? These kinds of questions are difficult for a company that works primarily output-oriented: How many houses have we built? How many roads have been constructed? And how many bridges? These questions are now complemented by a new question: To what extent have we improved the quality of life? A conversion, in other words, from 'what' to 'what do we contribute'. Primum initiated two pilot programs. One project was in the field of infrastructure, and one in the field of housing.



Challenges

- How do we make a large and abstract concept such as quality of life measurable?
- How do we effectively translate this into key performance indicators (KPIs), which would give us a concrete basis to build on?
- How do we create a set of criteria which can be applied to the wide variety of activities of VolkerWessels?
- How do we ensure support from the different layers of the organization?



Results

The internal work group gained the support from the senior management of VolkerWessels. The urgency of the theme was conveyed by means of a video and the vision of social value came to the foreground. Also, quality of life has acquired a central place in the 2014 Sustainability Report as an overarching theme. In addition, a first step has been made to create methods that can be used in the future to clearly identify and measure which aspects contribute to the quality of life, such as health, work, recreation, and environment. In the short term Primum expects to make a selection of KPIs, measure the pilots, and engage in a stakeholder dialogue with end users. The first results are presented in the Sustainability Report 2015.

USG People



A social profit and loss account. That was the ultimate goal that USG People had in mind at the start of the process. As a company active in the flexible layer of the labor market, social value is at the core of this listed company. However, the company has been unable to make a calculation to clearly identify the value of its social assets while this insight is badly needed. USG People believes that a clear vision of the added value of your core business from a social perspective finally answers the question of your right to exist as a company. What social issues and demands do we provide for exactly? What is - in this changing era - our added value precisely? How do we share this and appreciate it? And what influence do we have on this?

USG People looked at these questions from three perspectives, namely: the customer, the candidate, and society. What is the value for these three stakeholders and how can that value be further enhanced? The follow up question to that is perhaps even more interesting: How do we translate this understanding into a practical view of new opportunities for our business?

Challenges

- The abstract level of this theme is high. So how do you translate this into an inspiring and practical proposition?
- How do we ensure broad support within the organization?
- USG People made – even with this kind of development – a direct link with its business. Given the high level of abstraction of the subject, the translation to *star brands* requires extra time and attention.



Results

Creating a social profit and loss account proved to be too great an ambition to achieve in one years' time. However, there was an increase in support within the organization for the social value component, the level of knowledge rose considerably, and steps were taken to define the exact parameters by which the social value can be determined. Once these parameters were defined, the connection was made with the core business of USG People.



Vebege

Vebege is an international family-run business active in facility services, the public sector and healthcare. The organization has nearly 40,000 employees in the Netherlands and abroad. For service companies, such as Vebege, people are the greatest asset because it is the people who can propel an organization to excel. With this perspective in mind, it is astounding says Vebege, that "human resources" are only reflected as a cost on a company's balance sheet. This was sufficient cause for some thorough research into the opportunities to capitalize on the positive aspects of manpower.

The cleaning market is saturated; price prevails. Customers often see cleaning as an additional cost and do not want to pay very much for it. The result is that price agreements are often made that are not feasible. Awareness and transparency of not only the costs but also the returns can be very enlightening. In other words: How do cleaning services contribute to the bottom line for clients, employees, and society? Vebege focused on Sens!, a joint venture between the Vebege company Hago Zorg and the Maxima Medical Center which performs cleaning tasks for the Veldhoven hospital.



Challenges

- Obtaining support from the Board of Directors of Vebege International;
- The determination of the scope;
- The determination of the definition of social value;
- The (digital) provision of data;
- The ability to obtain an accurate and complete data file;
- Determining the social variables and indicators for each stakeholder.



Results

A pragmatic, scalable and reproducible method was developed to help determine the social variables and indicators and to monetize them. The output of this method helped to disprove the common perception that cleaners in the Netherlands are low wage earners and poorly educated. The cleaning staff at Vebege, it appeared, earn almost 50 percent more than the minimum wage. In addition, because of the collaboration on the coalition themes such as added value and social impact analysis, social value creation was added to Vebege's agenda. The next step is to measure the entire process of social value creation. For this reason, the following research focuses on measuring the social impact on the micro, meso and macro levels. Based on these results, the added value can then be determined and monetized.

The Dutch Railway System: Nederlandse Spoorwegen (NS)



The Dutch Railway System (NS) employs approximately 25,000 people in the Netherlands, has a turnover of 3 billion euros, a purchasing portfolio of 1 billion euros, and transports 1.2 million people per day. Consequently, NS has a significant social impact and would like to be able to visualize this impact. After all, with a clearer view, NS is better able to navigate its course and optimize its value for its customers and society at large. These insights can also serve as useful input for stakeholder dialogues and can potentially establish a sound foundation for investment decisions.

NS wanted to share their own experiences and tests with the coalition in order to use the method of calculation during the publication of their annual report.⁵ This way the railway company is able to contribute to the further development and standardization of multiple profit and loss accounts.

Challenges

- Enriching the data in order to utilize it when making investment decisions;
- Keeping the calculations simple and practical in order to avoid dubious precision;
- Using already existing computational methods in order to guarantee the independence of the calculations.



Results

NS focused on the value of mobility as one of its most material topics. They concentrated on monetization, that is making the apparent social issues economic ones. This monetization is useful in order to make efficient choices and create ecological or social value. In its annual report, NS calculated the social impact of mobility, together with travel time, the environment, safety, training of their staff and expenditures. The positive value of mobility services, which brings the traveler from point A to point B, was estimated by NS as 7 billion euros per year. The negative impact of the travel time was made up of approximately three billion from comfortable travel, about 1 billion from pre-transport and post transport, and the rest was from uncomfortable travelling, transferring, waiting time and delays. The calculations have further shown that NS can still achieve big gains in pre-transport and post transport. Transport movements specifically, have a significantly negative impact with an associated cost of 2 billion euros. These results demonstrate to NS the outcomes of policies they have implemented and prove useful as input for future stakeholder dialogues. The next step is to bring these new insights into investment decisions.



⁵ http://nsjaarverslag.nl/jaarverslag-2014/onimpaomiliemaatschap/introductie8/a1434_Onze-impact-op-milieu-en-maatschappij

Why a coalition?



Primum, USG People, NS, and Vebego chose to achieve their ambition to create measurable social value in a collaborative venture rather than to pursue it on their own. They decided to work together for one year to openly share their visions, ideas, challenges, barriers, questions and solutions. They were assisted in this by a coalition of facilitators and knowledge partners from The Sustainable Business Association (De Groene Zaak), The Sustainable Science Association (Het Groene Brein), True Price, EY and KPMG, as well as other scientists and experts.

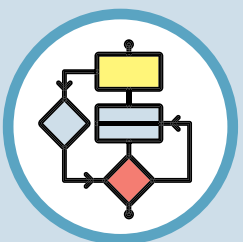


Why this step? Perhaps because the coalition was arranged in such a way and designed specifically so that the various participants could learn from each other, but could also set their own pace and content. As the saying goes, "If you want to go fast, go alone, but if you want to go far, go together." The coalition offered a productive mix of both, thus allowing the participants to openly pioneer.



The accessibility and the promising proposition inspired confidence. During the five intervention meetings, the peer learning proved valuable for all the participants. The learning effect was due in part to the fact that each participant seemed more or less as though they had entered the coalition with their own research question and method. Discussions and knowledge sharing helped to define the choices and considerations. After the meetings, the various parties then went on to work at their own pace in their own organization. They were continually supported in their specific case by the various knowledge partners.

The process



There are several methods available to measure social value creation, but there is still no globally accepted standard. Yet that has not stopped organizations working on this. The process that they have gone through is often based on the following steps.

It is also an iterative development process that is never 'right the first time'. Therefore, organizations need to change. In order to bring about the desired changes, a number of preconditions should be met.

Social Value Analysis



1. Purpose

First, you should select the target. Do you want to use it to make strategic adjustments? Or does it serve as an accelerator for product and service innovations? Or do you want to demonstrate your 'license to operate'?

Social value at organizational level

Bolster the strategy

Analyze opportunities and risks

Make reports more transparent

Social value at product level

Stimulate innovation

Improve efficiency

Enhance distinction



2. Materilization and depth

Analyze which aspects are most concrete. Which social values are most relevant to your stakeholders and to the organization itself? To what extent do you want to measure and how many steps back in the chain do you want to go? Do the targets provide for sufficient quality? Or is quantification or even monetization desirable?



3. Impact routes

Determine how social value is created at a qualitative and conceptual level. Which company activities or product characteristics lead to which social values?

Input > Activity > Output > Outcome > Impact



4. Indicators, modeling and measurement

Create a model and decide how you want to measure. What are the KPIs and where does the data come from? What are the gaps and the assumptions in the value creation model?



5. Analysis and interpretation

Analyze your results and find out how much social value you create. Which results can be refined in order to enhance the strength of the outcome? How do the various social values compare to each other? What adjustments can be made to increase your value creation?



6. Assurance & Communication

Have a third party assess the results and process the recommendations in order to enhance the credibility and accuracy. Share the results internally and externally, depending on the purpose. If necessary, set new goals that could be included in the next iteration.

Lessons learned



Why

- Answer the question “Why?”. This helps you to determine your course as the project progresses.
- Make sure that within your organization, you are not proceeding from very diverse motives. They will sooner or later collide and impede the progress of your plans.



Start ‘small’

- When there is doubt within the organization about the added value of the project, start ‘small’. For example, you do not need to immediately bring the entire chain into the picture, but you can look at your own impact on the chain.
- The choice of a flagship or pilot is pragmatic and useful in the determination of variables and the gathering of data. A flagship can also fit in well with the business and it is easy to communicate.
- The lessons learned can easily be used when upscaling.



Create internal support

- Identify who the most important stakeholders of the project are and make the “what’s in it for them” concrete and involve them in the formulation of the goal. This is different for the CEO or the HR manager.
- Find allies and supporters. Find a sponsor on the board that supports your initiative. Stay under the radar in the initial phase and introduce your plans step by step within the organization.
- Formulate your goals in such a way that they fit the strategy of the organization.



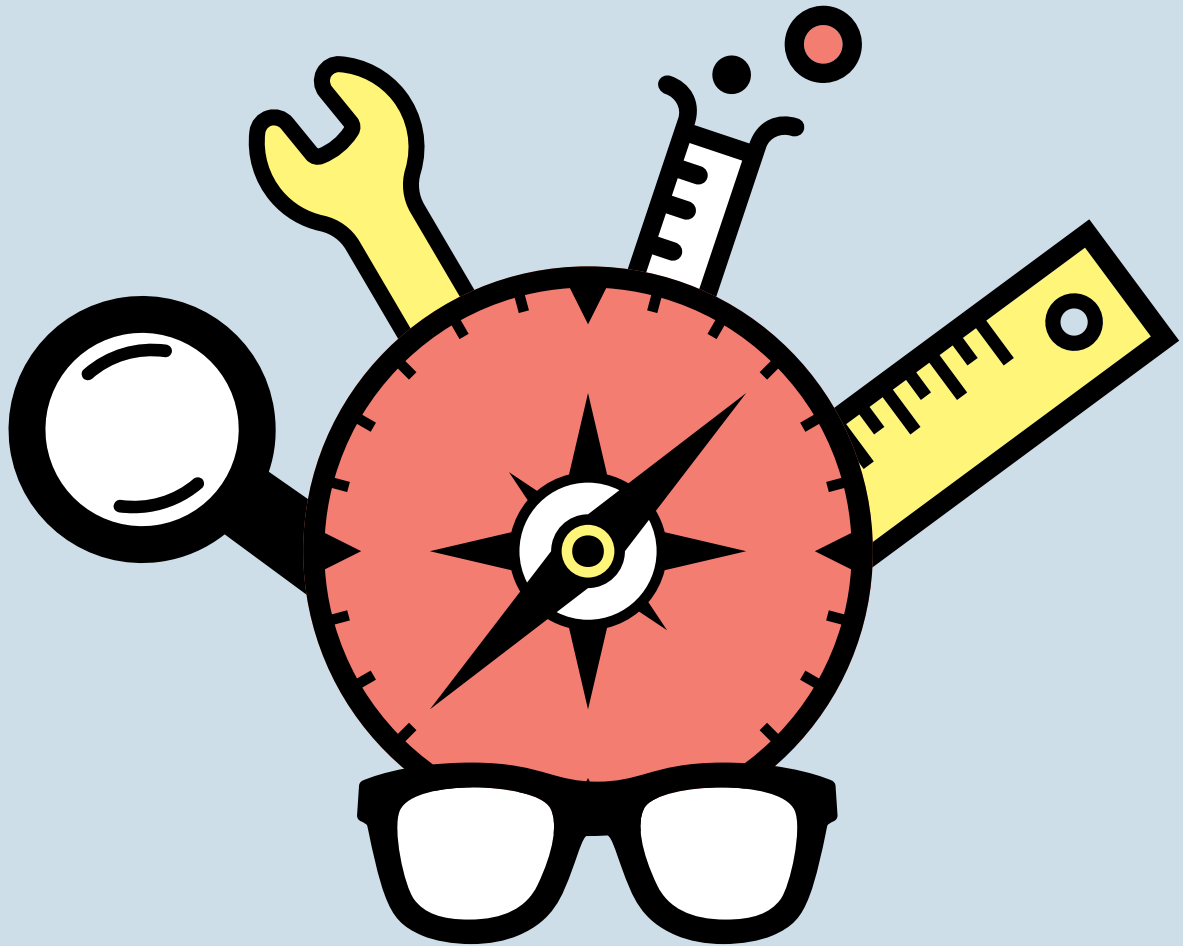
Find partners

- The route is easier with allies and partners who have experience in measuring and gaining insight into social value. Make contact early on with companies that have already gone through the process and ask them for golden tips!



Manage expectations

- Make clear what the scope is, the purpose, and the depth of the project so that everyone involved knows what they can expect. Share what you know, but also what you do not know. Always give insight into the assumptions made so that everyone is able to estimate the results of the value.
- Know what you are talking about. What do you mean by social value, value creation and impact?

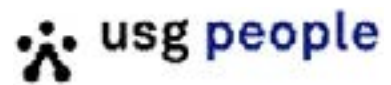


“The calculation of our socio-economic impact expresses ‘non-financial variables’ in financial value, and emphasizes that we create financial social benefits that are several times larger compared to our financial results.”

– Carola Wijdoogen
Corporate Sustainability Officer, NS

The coalition of Social Value Creation

Pioneers



Knowledge partners & Facilitators



Contact

Start providing insight into your social value! Contact Ise van den Hoogen or Mark Beumer.

☐ 06 117 929 35 - 06 291 492 44

☐ ise.van.den.hoogen@degroenezaak.com - mark.beumer@hetgroenebrein.nl