



Deloitte.

Driving corporate growth
through social Impact

Four corporate archetypes to
maximize your social impact

It's not often that a beer company is recognized for its efforts to change the world. In this case, however, SABMiller, the world's second largest brewer, is one example. With growing water scarcity—some estimate as much as a 40% shortfall between water supply and demand by 2030¹—SABMiller is investing in methods to reduce water usage per hectoliter of beer, while also promoting sustainable water management in the communities where it operates.²

Just outside of Cali, Colombia, for example, the brewer has partnered with The Nature Conservancy to raise a \$15 million fund to protect the Cauca River, the water source for its local beverage production.³ The fund pools money from municipalities, utility companies, and donors to support local projects with farmers, ranchers, and community groups that will conserve water and protect against contamination of this valuable current and future resource. Although the initiative requires significant upfront investment, SABMiller recognizes that coordinated action between local stakeholders is the shortest route to uninterrupted access to safe, clean water for all.⁴

Social impact and growth strategy

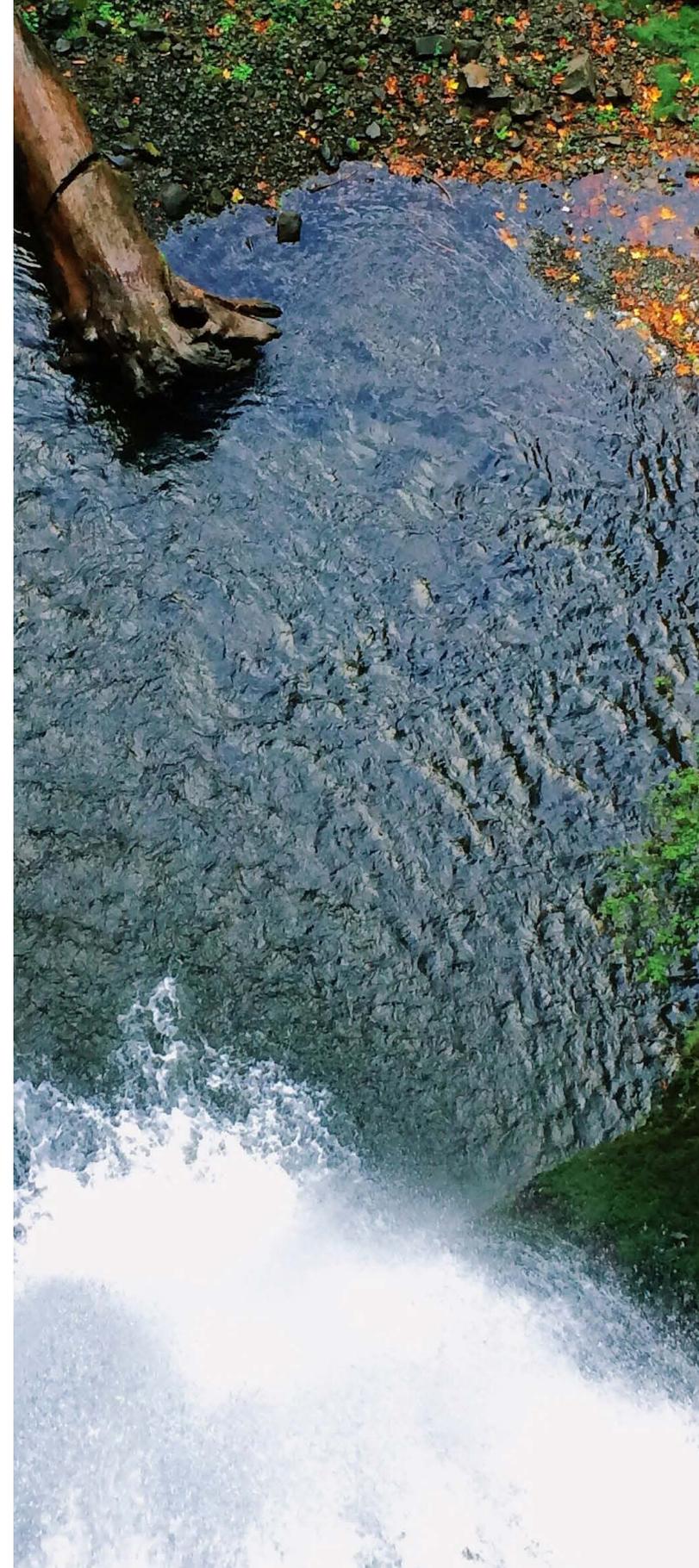
SABMiller's path highlights three trends we've seen affecting diverse companies in various industries. First, there has been a **noticeable shift in the past 10 years in the way that public companies think about the social impact of their businesses** as a strategic driver of value. Per Figure 1, across industries, companies are using a social impact mindset to build differentiated products, explore new markets, secure a sustainable supply chain, attract and retain millennial talent, or transform once-contentious regulatory relationships. In short, social impact has evolved from a pure public relations play to an important part of corporate strategy to protect and create value. It is a trend driven largely by millennial consumers and enabled by social media tools that have taken accountability and transparency to new heights.⁵ Second, we observed that there were **major differences industry by industry** in terms of the level of investment in and type of social impact pursued. Third, we recognized that **"one size" does not fit all**, and social impact models vary based on a company's geography, customer set, and corporate and business unit strategy.

Figure 1. Five ways social impact creates value



Much of the recent writing on social impact centers on the 5% of companies that are market leaders in social impact (e.g., Danone and Unilever). While certainly worth understanding, we wanted to explore how companies broadly speaking, including *the other 95%*, prioritize and integrate social impact. Our research suggests that while many companies are active in some form of social responsibility (e.g., volunteering in the community or donating funds through corporate foundations), **only a third currently see social impact as core to their strategy**—although we believe this is quickly shifting.

As used in this document, "Deloitte" means Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.



The four social impact archetypes

Deloitte recently examined the social impact practices of the 2014 Fortune 500 global public companies. These companies range from \$28 billion–\$233 billion in market cap, represent 6 industries and 53 sub-industries, and hail from 40 countries. We evaluated these companies across 60 metrics, with an interest in understanding:

1. How integral is social impact to the business' strategy?
2. Where does social impact fall within the organization's structure and processes?
3. What is motivating the company's action on social impact?
4. How is the company perceived publicly as it relates to social impact?

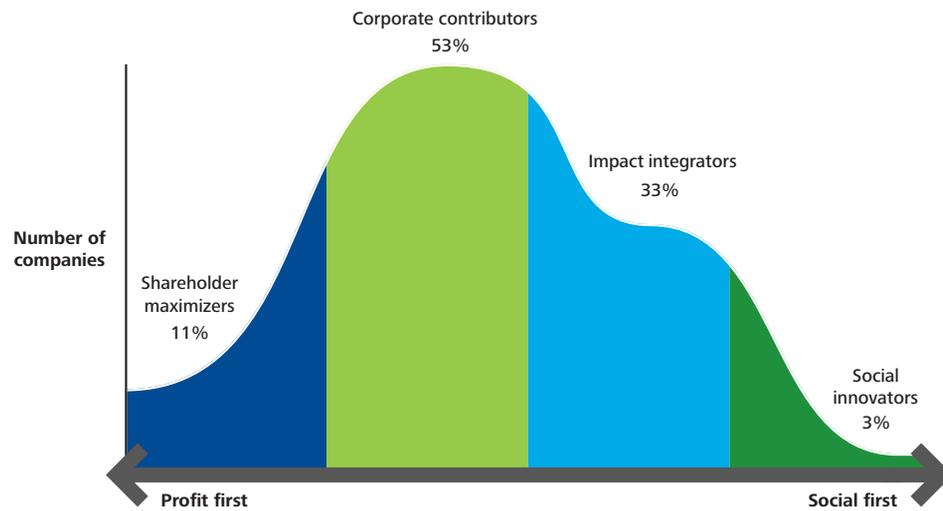
We observed four archetypes that companies typically fall into, which reflect social impact trends and how companies stack up against competitors (see Figure 2).

Figure 2. Deloitte corporate archetypes overview and definitions



Which one are you?

Percentages represent share of the Fortune 500 companies that fit the archetype criteria



Shareholder maximizer. This is the most “traditional” of the archetypes. As the name suggests, these companies prioritize maximizing shareholder value. They often do not include social impact in their strategic plan, though they may use it tactically for risk mitigation. This archetype represents 11% of Fortune 500 companies and is highly represented in particular industries like Financial Services and Oil and Gas.



Corporate contributor. This is the most common archetype, representing 53% of Fortune 500 companies. Corporate Contributors engage in social impact activities primarily to strengthen relationships with external stakeholders and mitigate external risk. While social impact may receive significant investment, it may operate independently and outside the purview of senior leadership—most commonly in a Corporate Social Responsibility or Sustainability function. This archetype characterizes what some call “long-term capitalism” wherein corporations pursue shareholder value but within a stakeholder framework that considers longer-term risks and investments. For some firms, this can be a transitional state en route to the Impact Integrator.



Impact integrator. Impact Integrators include social value in their overall strategy, with an eye toward new market opportunities. Impact is internally motivated by a desire to achieve social progress through business activities and is integrated across processes and business units. Often companies that fall in this archetype actively align and measure both business and social value and have reinforcing metrics that keep business units and functions accountable. One-third of Fortune 500 companies fall into this archetype.



Social innovator. This archetype represents companies where social impact is an intrinsic part of the business strategy to such an extent that it may be difficult to explain one without the other. Social impact metrics are elevated and considered alongside financial metrics. These companies leverage social impact to build new socially conscious markets and create differentiated products or services. Social Innovators represent only 3% of the Fortune 500. But interestingly preliminary research indicates that a significantly larger percentage of smaller, high-growth companies are Social Innovators. For example, over one-third of *Fast Company's* Most Innovative companies fall into the Social Innovator archetype.



Figure 3. Diving deeper into the four corporate archetypes



Shareholder maximizer

ING Group concentrates on its core capabilities to protect and create wealth for its clients; it does not include social impact in its mission/strategic plan. Christopher Steane, ING Commercial Bank's global head of lending, articulates this philosophy, "Our primary stakeholders are the depositors who have entrusted their money to us—and we have to make sure they are going to get it back." Instead, ING integrates social issues into investment decisions—such as climate change or resource scarcity—to protect against business risk.



Corporate contributor

The transportation/logistics industry produces 25% of the world's CO2 emissions. **DHL** understands that green shipping matters, especially for businesses keen to ship products in more environmentally friendly ways. Through its GoGreen program, DHL is reducing fuel usage and total energy consumption and giving customers greener shipping methods. DHL is betting that walking-the-talk on environmental stewardship will enhance its brand value among ever more environmentally conscious consumers.



Impact integrator

Novartis, the global pharmaceuticals company, aims to both solve society's biggest health challenges and deliver superior returns to shareholders. As part of its social commitment, through programs like "Arogya Parivar" in India, the company is piloting new business models to expand access to healthcare and treatment to underserved, largely rural patients, and is replicating the model in Kenya, Indonesia, and Vietnam. Through this work the company has served 6.6 million people to date.



Social innovator

Danone, the French food company, is committed to both business success and social progress. It takes a holistic view of its stakeholders that includes its investors, people, suppliers, and the planet. Danone integrates a variety of social initiatives into its operations, for example, to strengthen smaller partners in its supply chain, conserve water, and educate young parents on proper nutrition. In addition, the company's focus on producing healthy food for consumers is at the core of its "health through food" strategy.

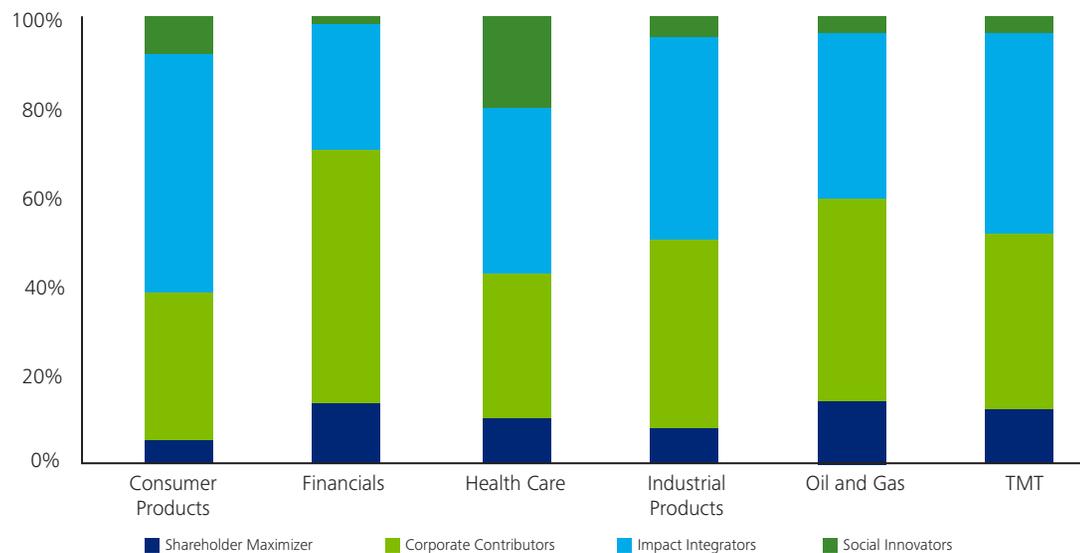


The so-what: Three take-aways for executives

Our preliminary research suggests three takeaways for public company executives when thinking about social impact and growth.

- 1. Understand where you are today.** As shown in Figure 2, each archetype carries with it a different set of risks and opportunities. While Shareholder Maximizers need to focus on regulatory and reputational risks, Impact Integrators need to clarify business and social impact success metrics. As we move forward, we are beginning to engage with clients on the right “playbook” for each archetype profile, and differentiating these “plays” by C-suite function (CEO, CFO, CMO).
- 2. Understand where you sit versus others in your industry.** As shown in Figure 4, each industry has a different distribution across the four archetypes, and when looking at more detailed cuts of the data there are key conclusions for specific industries and categories. Some corporates have positioned successfully by being consistent with the dominant industry archetype (e.g., ExxonMobil) while others have intentionally differentiated from it (e.g., Suncor Energy). Some have even used social impact as a driver for transformational growth that bridges industries. So, it is important for executives to understand where they fall within their industry. If we are correct that social preferences are also driving a significant shift from Corporate Contributor to Impact Integrator, it is also important for executives to understand not only where their industry is but where it is going.
- 3. Be intentional about your archetype.** Once a company’s position and that of its industry is understood, executives should ask themselves: Is this where I’m meant to be? Does this position help me create or protect value for my company? Social impact is increasingly becoming part of a company’s growth strategy and executives should be intentional about their choices.

Figure 4. Distribution by industry and archetype



As today’s business landscape is increasingly influenced by the evolving pressures and preferences of consumers, regulators, and stakeholder groups, social impact plays an integral role in helping firms remain competitive and find new growth opportunities. While there is no single “ideal” archetype, there is a most appropriate position for each company, given its internal and external context. Companies should engage in this dialogue to be forward-looking and intentional with social impact strategy.

Research methodology

Deloitte Consulting LLP conducted a quantitative study of the Fortune 500 global public companies to understand the distribution of social impact integration. The research provided an aggregate view of social impact trends across companies and industries. Deloitte developed the research methodology by synthesizing existing thought leadership together with expert interviews. Once developed, Deloitte validated the research methodology with internal and external experts.

This guidance from internal and external practitioners helped Deloitte refine the research and coding methodology, and ultimately, to quantify each company's social impact model. To arrive at a final "score," each company was evaluated across four dimensions, 16 sub-dimensions, and 60 metrics. Scores ranged from zero to ten. The four dimensions and 16 sub-dimensions include:

- 1. Leadership/strategy** – Evaluates the degree to which social impact is integrated into business strategy, including the level of leadership buy-in and engagement (Sub-dimensions: Social Impact Integration in Global Business Strategy, Primary Social Impact Motivation, Leadership Style)
- 2. Structure, process, and governance** – Evaluates the role of social impact in the business based on functional and business unit governance structure; defines controls and metrics to measure progress on impact goals (Sub-dimensions: Stakeholder Engagement, Compliance, Impact Measurement, Social Impact Integration, Financials, Investment Strategy)
- 3. Social impact initiatives** – Evaluates the number, value, and success of workforce, social, environmental, and economic Initiatives, including philanthropic involvement and donations (Sub-dimensions: Serving Communities, Workforce/Talent, Environmental Sustainability, Social Responsibility, Foundation)
- 4. Public perception** – Evaluates the degree to which the company is recognized by the public or within its industry for its social impact activities (Sub-dimensions: Public Perception, Functional Indices and Press Report Scores)

After evaluating companies, Deloitte reviewed the distribution and devised four non-overlapping models to describe companies' social impact integration: Shareholder Maximizer, Corporate Contributor, Impact Integrator, and Social Innovator.

Population

Deloitte evaluated the 2014 Fortune 500 global public companies. These companies represent six industries, 53 sub-industries, and hail from 40 countries. Market cap ranges from \$28 billion-\$233 billion. Within the Fortune 500, the six industries represented are Financial Services (32%); Consumer Products (23%); Industrial Products (18%); Technology, Media, and Telecommunications (10%); Oil and Gas (10%); and Health Care (6%).

Coding methodology

Deloitte used a variety of techniques to determine a sound research process. Some of these techniques are highlighted below:

Metrics development: Metrics were identified by sub-dimension to enable the collection of objective, consistent data that could quantify the social impact strategy of companies. Research outputs were reviewed for inter-rater reliability and consistency. Metrics with insufficient variance were excluded from final scoring.

Additivity of dimensions: Correlational tests between dimensions were conducted to confirm that dimensions were complementary. Correlations returned no strong relationships indicating that each dimension was uniquely valuable in telling the story about companies' approach to social impact.

Score weighting: Experienced judgment (internal/external) was applied to determine a weighting system (by dimension) to compute an overall score that leading represented the overall company.

Methodology stress test: Research outputs were tested using well-known companies to determine that quantitative scores were consistent with common knowledge of the company's approach.



Authors

John Mennel

Director, Social Impact Practice
Deloitte Consulting LLP
jmennel@deloitte.com

Nate Wong

Manager, Social Impact Practice
Deloitte Consulting LLP
natewong@deloitte.com

Acknowledgments

Special acknowledgment for research contributions by Kaveh Azimi, Joel Bryce, Nick Bullard, Deven Comen, Sam Michelman, Allison Nulty, Maggie Shannon, Georgia Sills, Joshua Youner, and countless others who have provided their thoughts, insights, and feedback.

For more information about Deloitte's Social Impact practice, please visit
www.deloitte.com/us/socialimpactconsulting

Endnotes

¹ <http://www.theguardian.com/sustainable-business/best-practice-exchange/sabmiller-more-beer-less-water>

² <http://www.theguardian.com/sustainable-business/best-practice-exchange/sabmiller-more-beer-less-water>

³ <http://dupress.com/articles/water-energy-food-nexus/>

⁴ <http://www.sabmiller.com/home/stories/conserving-the-cauca-river>

⁵ Although we don't have a comprehensive answer for what is driving that shift, forthcoming research in the Consumer Products sector points to changing consumer preferences and the role of social media in amplifying those preferences as one of the keys.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

About Deloitte

Deloitte provides industry-leading audit, consulting, tax, and advisory services to many of the world's most admired brands, including 80% of the Fortune 500. We serve over 20 industry sectors to deliver measurable, lasting results. As a member firm of Deloitte Touche Tohmatsu Limited, a network of member firms, we are part of the largest global professional services network, serving our clients in the markets that are most important to them. Clients count on Deloitte to help them transform uncertainty into possibility and rapid change into lasting progress. Our people know how to anticipate, collaborate, and innovate, and create opportunity from even the unforeseen obstacle.

Copyright © 2015 Deloitte Development LLC. All rights reserved.
Member of Deloitte Touche Tohmatsu Limited

