



Long-term value creation lexicon

Defining key terms for social impact



Objective and layout of the long-term value creation lexicon

There is growing recognition that corporations play a larger role in society beyond wealth creation. To manage risks today and reap the opportunities of tomorrow, corporate executive teams and boards of directors need to supervise all types of material organizational impacts. These impacts have an effect on consumers, employees, investors, suppliers, local communities, and the environment. Therefore, corporate leaders must understand their long-term value creation in order to measure, analyze, improve, and communicate the material impacts of their business.

Businesses are starting to develop strategies that integrate social and environmental considerations into how they operate in the marketplace while creating long-term value. Yet, standard terminology for how companies can effectively manage their impact is still evolving. Understanding terminology is vital to establishing the metrics for measuring progress on set goals and for determining which actions produce the best outcomes.

The objective of this lexicon is to establish and define common terminology as a baseline for corporations to use in developing their corporate social and environmental impact strategies.

The lexicon is organized into four components:

- 1 Concept:** The term used
- 2 Description:** A contextual definition of the term
- 3 Source:** The sources that set the context for the definition
- 4 Cluster:** The inherent value that is generated by the concept

The cluster section comprises four main areas:



Responsible business: Accountability from external stakeholders on corporate citizenship and social and environmental impacts



Corporate values: Accountability from internal stakeholders on corporate culture and decision making



Value generation: Value creation derived from corporate actions and their resulting impacts on the corporation, society, and the planet



Long-term impact: Time horizon of the decision-making process

By streamlining the terms used in the corporate social and environmental impact field, businesses may be able to form more robust strategies for their engagement in society.

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Cluster 1: Responsible business

Concept	Definition	Source
Cause marketing	A form of marketing in which a company and a charity team up together to tackle a social or environmental problem and create business value for the company at the same time. Typically, in cause marketing campaigns, a brand is affiliated with a cause and a portion of the proceeds from the sales of the brand is donated to the cause.	<i>Financial Times Lexicon</i> , "Definition of cause-related marketing"
Community development	A way of strengthening civil society by prioritizing the actions of communities and their perspectives in the development of social, economic, and environmental policies. It seeks to empower local communities (based on geography, interest, identity, theme, or policy initiative) and to strengthen the capacity of institutions and agencies to manage dialogue and shape outcomes to community challenges.	<i>Scottish Community Development Centre</i> , "What is Community Development?" <i>Stanford Social Innovation Review</i> , "What is Community Anyway?" David Chavis and Kien Lee (May 12, 2015)
Corporate citizenship	Corporate citizenship is a recognition that a business, corporation, or business-like organization has social, cultural, and environmental responsibilities to the community in which it seeks a license to operate, as well as economic and financial ones to its shareholders or immediate stakeholders.	<i>University of Pennsylvania's Work and Family Researchers Network Glossary (via the Alfred Deakin Institute for Citizenship and Globalization at Deakin University in Australia)</i> , "Definition of Corporate Citizenship"
Corporate global citizenship (global citizenship)	Recognition that global business norms are tied to responsibilities that transcend geography and political borders and that global business practices should meet higher standards to engender shared prosperity.	<i>Financial Times Lexicon</i> , "Definition of global citizenship"
Corporate social responsibility (CSR)	Corporate social responsibility is the practice of companies contributing to the well-being of communities and society they affect and on which they depend. The main goal of CSR is to align a company's social and environmental activities with its business purpose and values, which can mitigate risks, enhance reputation, and contribute to business results.	<i>Harvard Business Review</i> , "The Truth About CSR," V. Kasturi Rangan, Lisa Chase, and Sohel Karim (February 2015)
Investor relations	The ongoing activity of companies communicating and interacting with existing shareholders, potential investors, analysts, and journalists in the investment community. The communication tools used for investor relations are designed to inform stakeholders about the company's business, governance, financial performance and prospects.	<i>Investor Relations: A Practical Guide</i> , "London Stock Exchange," p. 7 (March 2010)
Philanthropy	The concept of voluntary giving by an individual or group to promote the common good, often commonly referring to grants of money given by foundations or corporations to nonprofit organizations.	<i>Council on Foundations</i> , "Glossary of Philanthropic Terms"
Responsible business	Using the OECD term around responsible business conduct, it means complying with laws and responding to normative societal expectations outside of law. It includes respecting human rights, environmental protection, labor relations, and financial accountability, as well as building stronger relations with intergovernmental organizations, nonprofits, employees, local communities, trade unions, and the media.	<i>Organisation for Economic Co-operation and Development (OECD) Policy Framework for Investment User Toolkit</i> , "Chapter 7: Promoting Responsible Business Conduct" p.2 (2011)
Shareholder activism	The idea that investors should work to influence the running of the companies in which they invest, primarily through the casting of shareholder voting, to deter poor governance that might pose a long-term threat to the profitability of those companies.	<i>Financial Times Lexicon</i> , "Definition of shareholder activism"



Cluster 1: Responsible business

Concept	Definition	Source
Stakeholder engagement	Broader, more inclusive, and continuous process between a company and those potentially impacted by the encompassing range of activities and approaches, and spans the entire life of a project or program.	<i>International Finance Corporation, "Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets,"</i> p.2 (May 2007)
Supply chain impact	The societal and environmental impacts of a company's supply chain sustainability efforts on stakeholders, including areas of value creation for businesses through meeting responsible sourcing requirements and management of business externalities.	<i>Business for Social Responsibility (BSR), "Supply Chain Sustainability: A Practical Guide for Continuous Improvement,"</i> p.59, Cody Sisco, Blythe Chorn, and Peder Michael Pruzan-Jorgensen (2010)
Sustainable investment	An investment discipline that considers environmental, social, and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact. This approach differs from socially responsible investing (SRI), which tends to focus on screening out investments based on moral or ethical considerations.	<i>The U.S. Forum for Sustainable and Responsible Investment, "SRI Basics,"</i> <i>Forbes, "Sustainable Investing,"</i> Joseph Keefe, (May 1, 2014)
Transactional philanthropy	Traditional, time-limited, project-based grantmaking that focuses on the financial and operational transactions of charitable giving from benefactors to beneficiaries.	<i>Philanthropy Northwest, "Promise and Peril: The Front Lines of Transformational Philanthropy,"</i> Richard Woo and Holly Powers (May 28, 2014)
Transformational philanthropy	Systemic, collaborative grantmaking or charitable giving that is oriented towards building relationships with partners and reforming practices in order to achieve long-term change.	<i>Philanthropy Northwest, "Promise and Peril: The Front Lines of Transformational Philanthropy,"</i> Richard Woo and Holly Powers (May 28, 2014)
Workforce development	A range of economic development activities, policies, and programs generated by geographies to create, sustain, and retain a viable workforce that can support current and future business and industry. For employers, the approach is from an organizational perspective, focusing on the skills their business or industry needs to remain competitive in the global marketplace.	<i>The Federal Reserve Bank of St. Louis, Bridges Quarterly Review, "What is Workforce Development?,"</i> Lyn Haralson (Spring 2010)





Cluster 2: Corporate values

Concept	Definition	Source
Charitable investment	An individual or entity's contribution of income to a mission-driven organization. Charitable investments come in many forms, including donor-advised funds, crowdfunding donations, corporate giving or grantmaking, impact-focused venture capital, and other investment vehicles.	<i>Calvin Edwards & Company, "NonProfit Resource: Terminology of Charitable Investment"</i>
Conscious management	An approach to management that is consistent with a conscious business culture (see definition of culture)	<i>Conscious Capitalism: Liberating the Heroic Spirit of Business, "Chapter 2: The Tenets of Conscious Capitalism," John Mackey and Raj Sisodia (2014)</i>
Corporate governance	A set of relationships between a company's management, its board, its shareholders, and other stakeholders and the structure through which objectives of the company are set and the means of attaining those objectives and monitoring performance are determined. Includes executive pay, bribery and corruption, political lobbying and donations, board diversity and structure, and tax strategy.	<i>G20 and OECD Principles of Corporate Governance, p.9 (November 30, 2015)</i> <i>UN Principles for Responsible Investment, "What is Responsible Investment?"</i>
Culture	Culture represents and encompasses the array of behaviors expected and accepted by members of the organization, including shared beliefs and values, rules of conduct, and rituals.	<i>Triple Pundit, "What is a Conscious Culture?," Jeff Klein (September 13, 2011)</i>
Disclosure	Disclosure (both voluntary and mandatory) is the reporting by a company of information on its near, medium, and long term capacity to generate value, including material risks and opportunities related to all its capitals: financial, manufactured, intellectual, human, social and relationship, and natural.	<i>OECD, "The Evolution of Corporate Reporting for Integrated Performance," p.7, Richard Baron (June 25, 2014)</i>
Diversity and inclusion	Diversity (a societal value) means respect for and appreciation of differences in ethnicity, gender, age, national origin, disability, sexual orientation, education, and religion as well as diverse perspectives, work experiences, life styles, and cultures. Inclusion is a state of being valued, respected and supported and ensuring the right conditions are in place for each person to achieve his or her full potential. Inclusion should be reflected in an organization's culture, practices, and relationships that are in place to support a diverse workforce.	<i>Royal Bank of Canada, "What is Diversity and Inclusion?"</i>
Empathy	The ability to sense other people's emotions, couple with the ability to imagine what someone else might be thinking and feeling. There are three types: cognitive/perspective empathy (knowing how another person feels and what they might be thinking), emotional empathy (physically feeling what other people feel and think through emotion), and compassionate empathy (understanding people's predicaments, feeling with them, and spontaneously moved to help). Compassionate empathy is the vital first step towards taking compassionate action.	<i>University of California – Berkeley Greater Good Science Center, "What Is Empathy?"</i> <i>University of California – Berkeley Greater Good Science Center, "Hot to Help," Daniel Goleman (March 1, 2008)</i>
Employee engagement	The emotional commitment of the employee to the organization and its goals. It is a property of the relationship between an organization and its employees . An "engaged employee" is defined as one who is fully absorbed by and enthusiastic about their work and so takes positive action to further the organization's reputation and interests.	<i>Forbes, "What is Employee Engagement?," Kevin Kruse (June 22, 2012)</i> <i>"Psychological Conditions of Personal Engagement and Disengagement at Work" (PDF). Academy of Management Journal. 33 (4): 692–724. Retrieved 2016-04-14</i>
Equality and justice	Equality is participation on an equal basis with others in any area of economic, social, political, cultural or civil life. Justice, as a people-centered concept, is about creating fair outcomes and an inclusive society beyond the establishment of efficient legal and judicial systems that fights inequality, exclusion, and marginalization.	<i>"The Declaration of Principles on Equality: A Contribution to International Human Rights," Dimitrina Petrova, p. 60</i> <i>"Delivering Justice: Principles and Practices," Irene Khan, p.1 (November 2013)</i>



Cluster 2: Corporate values

Concept	Definition	Source
Ethics	Moral rules or principles of behavior that should guide members of a profession or organization and make them deal honestly and fairly with each other and with their customers.	<i>Financial Times Lexicon</i> , "Definition of ethics"
Transparency	An approach to corporate management that emphasizes as much disclosure of information as possible to regulators and stakeholders.	<i>Financial Times Lexicon</i> , "Definition of transparency"
Trust and performance	Trust in the workplace—linked to creating a business culture that fosters the declaration of intent, demonstration of respect, and delivery of results—enables continuous improvement and sustainable, measurable, tangible results in the marketplace that strengthens business performance. Some factors that determine trust in the business context include risk tolerance, level of adjustment, relative power, security, number of similarities, alignment of interests, benevolent concern, capability, predictability and integrity, and level of communication.	<i>Harvard Business Review</i> , "The Connection Between Employee Trust and Financial Performance," Stephen M.R. Covey and Douglas R. Conant (July 18, 2016) <i>Harvard Business Review</i> , "The Decision to Trust," Richard Hurley (September 2006)





Cluster 3: Value generation

Concept	Definition	Source
Conscious capitalism	An evolving business philosophy/paradigm that simultaneously creates multiple kinds of value and well-being based on four interconnected and mutually reinforcing components: higher purpose and core values, stakeholder integration, conscious leadership, and conscious culture and management. It is a way of thinking about business that is more conscious of its higher purpose, its impacts on the world, and the relationships it has with various stakeholders.	<i>Conscious Capitalism: Liberating the Heroic Spirit of Business</i> , "Chapter 2: The Tenets of Conscious Capitalism," John Mackey and Raj Sisodia (2014)
Conscious consumerism (socially conscious consumerism)	A practice in which consumers purchase products or services with social and environmental considerations integrated into their offering, such as the use of fair labor practices or minimal impact to ecological systems.	<i>Network for Business Sustainability</i> , "Socially Conscious Consumerism Primer," (2011)
Economic benefit	Using business resources to engage in activities designed to increase business profits while engaging in open and free competition without deception or fraud.	<i>Harvard Business Review</i> , "The Social Responsibility of Business Is to Increase...What Exactly?," Justin Fox (April 18, 2012)
Equity	Equity is about gaining access to opportunity, networks, resources, and supports that people need to survive or succeed based on where they are and where they want to go.	<i>Stanford Social Innovation Review</i> , "What the Heck Does "Equity" Mean?," Kris Putnam-Walkerly and Elizabeth Russell (September 15, 2016)
ESG (environmental, social, and governance)	ESG is a generic term used in capital markets and used by investors to evaluate corporate behavior and to determine the future financial performance of companies. ESG factors are a subset of non-financial performance indicators that include sustainable, ethical, and corporate governance issues.	<i>Financial Times Lexicon</i> , "Definition of ESG."
Long-term value creation	Business decision-making oriented toward long-term gains in order to create valuable goods and services, invest in innovation, take risks, and develop human capital that will result in better business outcomes and contributions to the public good.	<i>The Aspen Institute Business and Society Program</i> , "Long-Term Value Creation: Guiding Principles for Corporations and Investors," (June 2007)
Purpose	Purpose is a firm's vision for the value it seeks to create and how that value is created; it defines what the corporation is and does, whom it serves, and how it contributes to the well-being of society.	<i>The Aspen Institute</i> , "Purpose of the Corporation"
Shared value	Shared value creation is the generation of economic value in a way that also produces value for society by addressing its challenges. There are three distinct ways to achieve shared value: reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters. It is the main driver of the company's profitability and competitive position. It leverages the unique resources and expertise of the company's economic value by creating social value.	<i>Harvard Business Review</i> , "Creating Shared Value," Michael Porter and Mark Kramer (February 2011)
Societal benefit	Using business resources to engage in activities designed to create a positive impact on society, which includes mitigating and reducing negative externalities as well as promoting strong community and stakeholder engagement.	<i>Harvard Business Review</i> , "The Social Responsibility of Business Is to Increase...What Exactly?," Justin Fox (April 18 2012)
Sustainable capitalism	A framework that seeks to maximize long-term economic value creation by reforming markets to address real needs while considering all costs and integrating ESG metrics into the decision-making process.	<i>Generation Investment Management</i> , "Sustainable Capitalism," p.6 (February 15 2012)
Total Impact Strategy	When an organization uses a total impact approach (an approach encompassing the social impact of all its activity, including its investments and supply chains) to help it plan the allocation of its resources to maximize social impact.	<i>UK Government Cabinet Office</i> , "How foundations are using Total Impact approaches to achieve their charitable missions," p.10 (December 2014)
Triple bottom line	A process by which companies manage their financial, social, and environmental risks, obligations, and opportunities. The three impacts are also referred to as profits, people, and planet.	<i>Financial Times Lexicon</i> , "The definition of business sustainability"
True value	A framework for quantifying the value that a company creates and reduces for society through its externalities and how the internalization of these externalities will impact its financial earnings and risk profiles through regulation, stakeholder action, and market dynamics.	<i>KPMG International</i> , "Introducing KPMG True Value Methodology" (2014)



Cluster 4: Long-term impact

Concept	Definition	Source
Biodiversity	Biodiversity refers to the variety of the different kinds of living organisms within a given geographical area, including plants, animals, fungi, and other living things. It is essential to the health of the planet's ecosystems.	<i>National Geographic Society</i> <i>National Wildlife Federation</i>
Climate change	Refers to any significant change in the measures of climate lasting for an extended period of time and includes major changes in temperature, precipitation, or wind patterns, among other effects, that occur over several decades or longer.	<i>U.S. Environmental Protection Agency</i>
Corporate strategy	How companies create value across different businesses, requiring the corporation to invest in a valuable set of resources, craft the business portfolio, and design the organization structure, systems, and corporate functions to share activities or transfer skills across businesses.	<i>Harvard Business School</i>
Environmental sustainability	A state in which the demands placed on the environment can be met without reducing its capacity to allow all people to live well, now and in the future.	<i>Financial Times Lexicon</i> , "The definition of environmental sustainability"
Human rights	Human rights are the basic rights and freedoms that belong to every person in the world, from birth until death, based on values like dignity, fairness, equality, respect and independence.	<i>U.K. Equality and Human Rights Commission</i>
Impact	There are two relevant types of impact: Corporate impact integrates social and environmental considerations into all aspects of business operations, including relationships with employees, suppliers, consumers, and local communities. Collective impact is the commitment of a group of important actors from different sectors to a common agenda for solving a specific social problem.	<i>Net Impact</i> , "Corporate Impact overview" <i>Stanford Social Innovation Review</i> , "Collective Impact," John Kania and Mark Cramer (February 2011)
Long-termism	Orienting the fundamental ways that businesses govern, manage, and lead by revamping incentives and structures to focus on the long term, infusing the interests of all major stakeholders into planning, and stemming dispersed and disengaged ownership by bolstering the board's ability to govern like owners.	<i>Harvard Business Review</i> , "Capitalism for the Long Term," Dominic Barton (March 2011)
Measurement and impact	Measurement and reporting of the social and environmental performance and progress of underlying investments, ensuring transparency and accountability for the implementation of a project or program. Best practices include establishing objectives to relevant stakeholders; setting performance metrics and targets related to these objectives; and monitoring, managing, and reporting performance to relevant stakeholders.	<i>Global Impact Investing Network (GIIN)</i> , "The Business Value of Impact Measurement Report" (August 2016) <i>G8 Social Impact Investment Task Force</i> , "Measuring Impact – Subject paper of the Impact Measurement Working Group," (September 2014)
Resiliency	The ability of people, households, communities, countries, and systems to mitigate, adapt to, and recover from shocks and stresses in a manner that reduces chronic vulnerability and facilitates inclusive growth.	<i>United States Agency for International Development (USAID)</i> , "Building Resilience to Recurrent Crisis USAID Policy and Program Guidance," p.5 (December 2012)
Societal impact	A broader concept of the positive and negative social and environmental results accruing to target beneficiaries, including people and the environment, associated with investments and business activities.	<i>Global Impact Investing Network (GIIN)</i> , "The Business Value of Impact Measurement Report" (August 2016)



Cluster 4: Long-term impact

Concept	Definition	Source
Sustainability	The idea that systems—including economic, environmental, societal, and personal systems—need to be regenerative and balanced in order to last. The ability to sustain by possessing the capacity to endure.	<i>MIT Sloan Management Review</i> , “What is Sustainability?” (November 24 2008) <i>SustainAbility</i> , “Sustainability: Can our society endure?”
Thrivability	A movement or notion that focuses on meaning, connection, and a capacity to contribute to creating meaningful lives and fostering sustainability, going beyond sustainability to thriving while not using excess resources or constantly needing to consume.	“The Necessary Transition: The Journey towards the Sustainable Enterprise Economy,” Malcolm McIntosh, p.140 “Building the Responsible Enterprise: Where Vision and Values Add Value,” Sandra Waddock and Andreas Rasche, p.302

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