

1.2: Social Impact

The first dimension of a sustainable business is its performance relative to societies and social justice, often referred to as **social impact**. While there is no easy solution for reducing social costs while improving corporate performance and profitability, social impact should not be overlooked. The social impact of a business's operations is viewed both internally and externally and ensures that the business's entire operations across the supply chain are socially responsible and ethical.

Internally, the social impact of a business often refers to practices related to employees and employment with the business. The sustainable business's social impact would include such items as the business's practices and policies related to working conditions, diversity in hiring, opportunities for advancement for women and minorities, lack of discrimination, and the provision of affordable health care and other necessary benefits. In addition, social impact includes wages, breaks, adherence to employment laws, safety, training, and numerous other specific labor practices. Finally, social impact includes the impact on the local public and social services sector as a result of the business's activities. These are only a sample of the many items considered within the social impact of a business's operations. Many of these internal social impacts are discussed in greater detail in Chapter 3.

The sustainable business is not only expected to treat its employees in a responsible manner but also ensure that it is engaged with suppliers that share similar values. That is, a sustainable business is also concerned for the labor practices and working conditions of companies within its supply chain to ensure that the supplies and products it purchases were produced responsibly and ethically. Sustainable businesses will make reasonable efforts to ensure they are not purchasing from suppliers engaged in the use of sweatshops, child labor, or other human rights abuses. In some cases, businesses have worked diligently with suppliers to correct these problems, while in other cases businesses have chosen to change suppliers.

When sourcing products from outside an industrialized country, some sustainable businesses will seek Fair Trade products. Fair Trade certification verifies that living wages were paid to producers and that fair and ethical employment practices were used in the creation of products. Many agricultural goods and handicraft items are Fair Trade certified.

In addition to employment practices, social impact refers to respect of others. This entails the respect of individuals and other businesses encountered locally and around the world. A sustainable business will make reasonable efforts to ensure its policies, practices, products, advertising, logo or mascot, and other aspects of the business are not offensive or disrespectful to clients in the global market. See [Note 2.3 "Tips to Increase Your Social Impact"](#) for tips on how to increase the social impact of your business.

Tips to Increase Your Social Impact

Have you considered where your coffee, chocolate, clothing, or other products come from and the conditions under which they were produced? Social impact is one of the three pillars of a sustainable business, but it can be difficult to define and even more difficult to track and measure.

A sustainable business should consider the social impact of its business operations on employees, those employed throughout the supply chain, and on the community. So how can a business begin to maximize its social impact? Here are some practices that will help create positive social impact:

1. UN Global Compact: Review the 10 principles of the United Nations Global Compact and abide by them, whether or not the business becomes a signatory.
2. Buy Fair Trade: Seek out opportunities to purchase Fair Trade products for your business. Fair Trade products ensure that those who produced the product in developing countries were paid a fair wage under humane working conditions. You can purchase Fair Trade clothing, handicrafts, coffee, cocoa, sugar, tea, bananas, honey, cotton, wine, fresh fruit, flowers, and other products.
3. Company policies and practices: Consider the social impact of your company's policies and practices on employees (such as health care coverage, educational opportunities, and worklife balance).
4. Philanthropy: Evaluate the impact of your corporate giving programs. Find opportunities that are strategically related to your core business, and focus your philanthropy in those areas, benefiting both the community and the business.
5. Supply chain: Understand the conditions under which the products and supplies you purchase were produced; work with suppliers to achieve transparency throughout the supply chain; check the Web sites of any of the numerous watchdog organizations (e.g., CorpWatch, Sweatshop Watch, International Labor Rights Forum) to find world regions, specific companies, and industries known for human rights abuses that could be occurring within your supply chain.
6. Labor: First, make sure your business follows policies and practices that are fair to its labor force; a good place to start is SA8000 and the International Labour Standards; review and understand the standards, whether or not your business seeks certification; support freedom of association, collective bargaining, and nondiscrimination in your own place of business as well

as with suppliers; in purchasing, avoid products that were produced using forced and child labor. See Green America's 9 Cool Ways to Avoid Sweatshops, www.coopamerica.org/programs/sweatshops/whatyoucando/9coolways.cfm; look for certifications from Fair Trade Federation, Fair Labor Association, Social Accountability International, RugMark, Verite, Worker Rights Consortium, or others that have independently evaluated labor conditions.

7. Social responsibility: Check out the 2010 release of the ISO 26000 standards on social responsibility for companies.

TOMS Shoes is an example of a company making a commitment to maximize its social impact. In 2006, Blake Mycoskie founded TOMS Shoes with the singular mission of improving the lives of children by providing shoes to those in need. Shoes are produced in Argentina and China following fair labor practices while creating minimal environmental impact. Factories are monitored by TOMS and third-party independent auditors. TOMS Shoes are sold online and in retail locations around the world with the promise that for each pair purchased, TOMS will donate a second pair to a child in need in Argentina, South Africa, and other locations around the world. The public is invited to participate in "shoe drops" around the world and to experience firsthand the social contribution of TOMS Shoes.

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