Whitepaper Impact Valuation:
a fact-based way to manage the societal impact of a company.

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Abstract

Companies have always managed their businesses based on more than just financial KPIs. Entrepreneurs seem to have a sense for opportunity, instantly knowing what works. But as our world becomes more complex, rapid decisions need to be made. An increasing number of companies are not only looking to maximize shareholder value but to create 'Shared Value', incorporating the society under which it operates. Impact Valuation can help to grasp the intangible, help to understand the Economical, Natural, Social and Human value that a company is creating and detracting from society. It helps to flag risks in the value chain and offers a way to build a purpose-based strategy. In short, Impact Valuation: *measures the positive and negative impact a business has on society in order to optimize the connection with the society.* Impact Valuation will help companies to be successful in the long run:

- Insights on the 'Licence to operate'
- Improve external business enabling
- Optimize business processes
- Strengthen the value chain
- Development of impact enhancing products

The scope of an Impact Valuation is key, is it product or product group? The societal effects of a project? A Business Unit or even the entire company? By using the Impact Valuation cycle, a step by step approach is introduced to conduct a valuation; Why, what to measure, considering the full value chain, sourcing valid data, involving stakeholders, performing the valuation and creating intelligence from that information. This process is illustrated by using a case study from Vodafone on Natural Capital.

There are many reasons to implement an Impact Valuation, for a business but also for a (non) government organisation. Just as there are plenty of reasons not to do so. The 10 most commonly adopted are shared in this whitepaper. And to end on a practical note: a checklist to help you get started.

By

Empact: Empowers organisations to create real and measurable societal impact
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About

Empact is a specialist management consultancy firm. Founder Martin de Jong has an extensive track record in sustainability and CSR and also published the assured E P&Ls for Vodafone Netherlands. In fact, 2016 was the first time in the world that an ICT-firm published an Impact Valuation. He's also conducted several Impact Valuation studies, including the social value of smart working. Martin received an award for best European CSR Campaign in 2017, based on the findings of the Impact Valuation. He is also a guest lecturer at the Amsterdam Business School, focusing on sustainable business and Impact Valuation.

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1. Introduction

Grasping a better understanding of your organisational decisions can often be traced back to the beginning of the organisation itself. Gaining a better understanding of the impact of those decisions on society at large, is far harder to comprehend. Companies began to steer their impact (on a low level), in the 19th century, when industrialisation gave way to large companies. Primary focus was to create stakeholder value and anything that could help was utilised. For example, creating housing next to factories, so you could attract workers and their families by providing a home. But this created living and working conditions which we now consider to be an exploitation of humans, (Nevell, 2017). Our perception on what societal value is, has increasingly changed over the years.

Over the years companies have had a hard time creating social and environmental value. Most businesses are not created with a positive societal impact. Generally, the information a company bases their decisions on are: financial & operational, sales, plus customer satisfaction figures. These figures are habitually seen as part of the KPI-dashboard, which steers a company. And it makes sense, as the main objective for most companies is to create the largest shareholder value possible.

But these objectives are changing. There are more and more purpose based businesses. Purpose being, to connect business and societal goals, therefore creating impact on society (Bhattacharya, 2020). For a purpose led company, there is strong reason to gain a better understanding of societal impact. And the reason that this exists is due to a shift from shareholders, who value *maximization* towards stakeholders, who value *optimization* (Freeman, 2010).

Thus, an opportunity arises for businesses to implement Impact Valuation. This whitepaper provides a fact-based introduction from which to manage your societal impact. Impact Valuation is able to connect the well-being of society to the well-being of an organisation and therefore the ability to strategically steer the company's purpose. And that may well be the strongest driver to effectuate Impact Valuation.

2. What is Impact Valuation?

Currently, finding a fitting definition for Impact Valuation is a little challenging. And this appears to be due to the fact that it's a relatively new concept. In this emerging field, multiple names are used. They don't always mean the same, but are a part of the same concept. For example: Net Impact, True Price, Trucost, True Value, Net-effect calculation, Integrated P&L, Outcomes Measurement, Natural Social & Human capital and more. They're all part of the thinking, Creating Shared Value (Porter & Kramer, 2006) and OECD works 'Well-being as measurement for society' (Stiglitz et. al. 2019). So what do we actually mean by Impact Valuation? Let us use for now a definition from the Capitals Coalition (2020): a framework for business to identify, measure and value their impact and dependencies on the 4 capitals (economical, natural, human and social). Or, in other words: *measure the positive and negative impact a business has on society.* The outcome of this measurement can give a fact-based substantiation on how to deliver a company purpose.

An Impact Valuation includes the dependencies of a company (such as, availability of water for a brewing company) and the impact of a company (the fun beer gives in return but also the negative effects of too much alcohol). Furthermore, it should incorporate all externalities which are affected by the activities of the company and its full value chain. These externalities can be translated into a single dominator, like monetization of the value. "It is the recognition that in a complex world, organizations should develop a better understanding of how they create value for stakeholders and society at large, in order to be able to develop a long-term, viable strategy and to keep their license to operate (EY, 2019)". There are several methods to capture the calculations, this whitepaper will address the most relevant.

Example SAP

Global business software company SAP (2019) has developed internal impact measurements based on monetary value. Instead of just measuring the outcome, the company developed a so called: "Cause-and-Effect Chain". Most of these chains covered HR topics. What's interesting about this method is the link towards relevant business and their KPI's. For example, more women in management leads to higher profits. This is part of the Cause-and-Effect Chain for the Business Health Culture Index (BHCI). Internal policy is made to perform utilising this cause-and-effect-chain, which uses profit figures to substantiate the policy, with real data.

3. Reasons to conduct an Impact Valuation

Based on the purpose-stage of a company, there are different reasons to conduct an Impact Valuation. Derived from the Human and Social Capital Coalition (2019) [1], there are 5 business value drivers depending on the level of risk and/or level of opportunity:

a) Licence to operate
b) Improve business enabling
c) Optimize business processes
d) Strengthen the value chain
e) Impact enhancing strategy, products and innovation

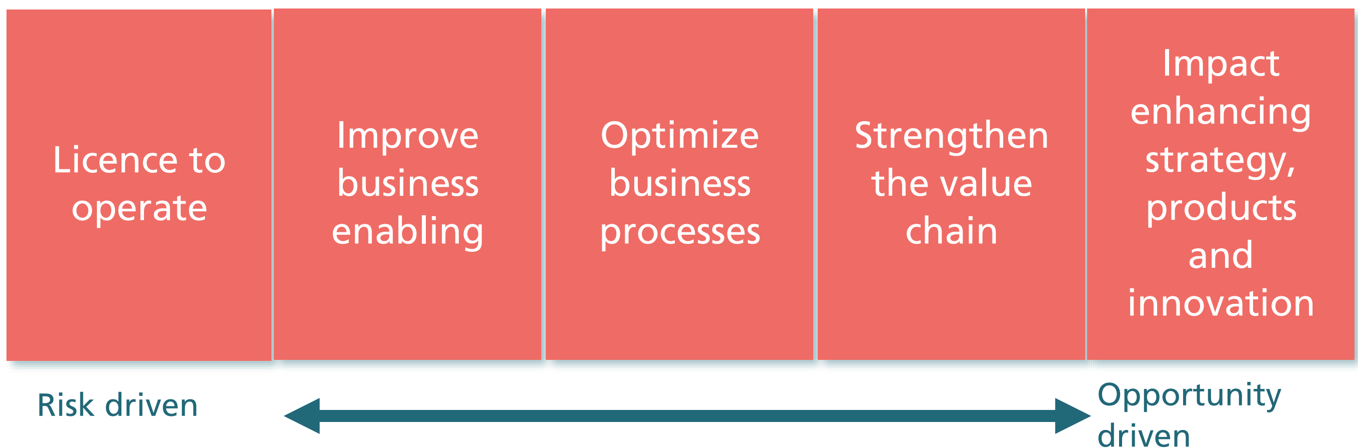

Figure 1: drivers for Impact Valuation

a. Licence to operate

Performing a base line, targeting the question: how to maintain our licence to operate (which is given by society and your customers). By examining this business value driver, a company is targeting the most material matters, according to your stakeholders. What are the potential risks? What kind of regulations can be expected?

b. Improve business enabling

Based on the risk assessment, build a more resilient company. What should a company do to meet current and future regulation and legislation? How to mitigate the risk in natural, human and social capital? And how to be transparent? It seems that most companies when looking at Impact Valuation, do not share this externally. On the flip side, 80% of all institutional investors have implemented measures to stimulate their 'impact investing' (KPMG et. al., 2020). So transparency will enable large and steady investors to assess the performance of your business on more than ESG[2] information (see also chapter 4).

[1] Derived from the Human & Social Capital Protocol, who based their work on the WBCSD-framework in 2015, and adapted to fit corporate businesses.

[2] ESG: Environmental Social Governance criteria, are a set of standards for a company's operations that investors use to screen potential investments.

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c. Optimize business processes

What improvements can be executed according to the new insights and, on which level, (product, project, program, department)? The insights can also be applied to product/market decisions. Which is where purpose can be brought to attention. Structural reputation management could be set up based on this assessment.

d. Strengthen the value chain

How to secure the value chain, upstream and downstream? Improve the performance of suppliers. How to engage with customers regarding purpose and impact? How to build a trusted brand? How to remain an attractive employer? A company will need to be open about their impact.

e. Development of impact enhancing products (innovation)

Which decisions should you undertake to be a relevant company in 5-10 years? How do you become the leader in your industry? And how should you change or expand your product & service offerings whilst maintaining current stakeholder value? Which strategies are the most feasible and create the highest impact?

So, in conclusion, by stating the Impact Valuation approach, “you can provide decision makers with a lens to identify value drivers, contextualise non-financial information for organizations and to understand synergies, trade-offs and opportunities to generate value for multiple stakeholders” (EY, 2019).

Example AkzoNobel (2020)

In 2015 Paint producer AkzoNobel published, for the first time, their 3D P&L account, stating the company’s positive and negative impact on society through 3 main areas: Economic, Environmental and Social. Take out from the analysis was input for the new strategy 2015 to 2020:

- Resource productivity (a sustainable and resilient value chain)
- Value selling (minimal 20% of the revenue should be created through eco-premium solutions in 2020).

4. Developments

There is a common understanding that Impact Valuation needs a standard method to determine comparable impact values. That understanding appears more urgent with investors and accountancy firms. Because how should you determine which factors, elements and effects to include in an Impact Valuation? And how do you compare the findings with other companies? To monetize or not to monetize? Plus, how do you include the findings in balance sheets, P&Ls and EBITA? Important questions, but from an external point of view. For an investor, the impact value of an asset should be offset against a comparable asset. And the way figures are calculated should be consistent. An accountant needs to have a standard methodology, like IFRS-accounting standards, to be able to check the Impact Valuation.

If an Impact Valuation is used internally, a standard method is less relevant as long as it's consistent. A company's impact-scope will determine what to include in the Impact Valuation. And although benchmarking with peers can be relevant, from the outset, the Impact Valuation offers new insights regarding the business itself. This is where the biggest opportunity lies: greater internal decision making, developing knowledge of your business beyond financial and operational data. Most Impact Valuations are not shared externally, due to confidentiality or too negative results. But transparency of a company's impact will become more important in the future. A standard methodology will certainly help.

Working towards a more standardized approach

A team of Harvard-experts are conducting research to include social and environmental performance in a company's 'financial' account. They refer to this as 'Impact-Weighted Accounts'. Their ambition is to create accounting statements which capture external impact, driving not only investors but also managerial decision making (Project Impact-weighted Accounts, 2020). Interesting here is the emphasis on monetization of natural, human and social capital. An overview of companies following this protocol can be found on this page.

Alongside scientific research there are a few strong coalitions working on a standardized way to measure and report on Impact:

- Already mentioned is the OECD work on well-being, aimed at governments and citizens. Established in 2009 and led by some of the world's best economical thinkers. The 'well-being' movement focuses on society, governments and individuals at large, and not per se on businesses (Stiglitz et.al, 2019). The thinking behind it is applicable for the corporate world.
- The Capitals Coalition, creating tools to measure their 'protocols' are very useful. For now this is implemented as standard by Empact, when assessing impact on product or project level.
- A group of companies (BASF, SAP, LafargeHolcim, Volkswagen) and consulting firms like KPMG, PWC, EY, have joined forces with the German Based Value Balancing Alliance. They have a similar objective: "to change the way company performance is measured and valued".
- The Global Steering Group for Impact Investment (GSG), is an independent global group catalysing impact investment and entrepreneurship to benefit people and planet. And part of their objective is to have impact measurement in "every business decision".
- Impact Institute (2019) a spinoff from True Price, published a beta version of their Framework for Impact statements, guiding Impact Reporting. The framework aims to standarizes the way companies are reporting on impact through standard statements on

Investor Value, Stakeholder Value, External Cost and SDG contribution. ABNAMRO has used this framework for their annual report 2019.

- Impact Management Project (IMP) is a collaboration concerned with how to measure and manage impact. IMP refers to impact as a change in positive and negative outcome for people or planet. Measurement in Impact can be done using the 5 impact dimensions: What, Who, How much, Contribution and Risk. Their emerging methodology is being adopted by investors. One of the largest investors in the Netherlands, PGGM, are utilising the IMP method to classify their full assets (Impact Management Project, 2020).

ESG and impact

ESG information is mostly used as a check-in-the box. Investors capture the facts and treat it similarly to risk or compliance data. The activities undertaken by TCFD, DJSI, CDP[3] and ESG-rating agencies like ISS Oekom, MSCI and EcoVadis are powerful for disclosure of standard sustainably criteria, but not yet used for impact measurement. And that is often a missed opportunity (Porter, Serafeim and Kramer, 2019). While most investors are struggling with ESG, some investors are moving forward, embracing an area referred to as ‘impact investing’. As the comprehension and size of impact investing is growing rapidly, the need for clear and comparable performance data is increasing (KPMG, 2020). Impact measurement being the answer.

Example Automotive

A great example of an assessment based on data available to the public, can be found in a working paper by the Havard-Team lead by Prof. Serafeim (Serafeim, Zochowski & Downing, 2020). They consider and monetize the impact value of two automobile manufactures. Company B sells more, cheaper cars then company A. Company A has a higher revenue and margin. Based on a beta version of their product impact framework, the Harvard-team demonstrates that the Societal Value of Company B is higher then Company A. Further analysis shows that customer satisfaction of Company Bs customers is the main driver to a higher societal impact performance of company B. The advice to an investor can be to invest in the long-run in company B.

But even more important than sharing the measured impact externally, is the internal financing and governance. The new figures will lead to further insights and based on that, new strategies (impact management). The question emerges; how broadly does a company want to act? For example, if new insights based on the Impact Valuation reveals that costs can be saved in the supply chain by driving a multi-company incremental change, the realisation of this change will cost all manner of resources. And certainly in the beginning, investments will have a long-term return - both financial and non-financial. In addition, the benefits extend further than the companies involved, reaching other parties such as local suppliers. Is a company bold enough to invest in such a broad, systematic change? And are they able to capture this via impact management? By doing this a company moves from sharing standard ESG information towards creating shared value (Porter & Kramer, 2006).

[3] TCFD: Taskforce on Climate Related Disclosures, DJSI: Dow Jones Sustainability Index, CDP: Carbon Disclosure Project

5. How to create an Impact Valuation?

Data availability is a very relevant assessment to make. Large amounts of data is available or can easily be obtained (Natural Capital Coalition, 2016). It's part of doing business, just not part of the reporting system within a business. So data collection might need additional efforts, but this will be dependent on the maturity of the company's ESG information.
There are different scopes of Impact Valuation (WBCSD & KPMG, 2015). The level of detail will differ per scope: details are important on product level, whereas companywide an educated estimate can be sufficient. Across all areas of scope the dependencies (like the availability of natural resources) and the impact, can be assessed. We see 4 different business scopes:

- Product or product group: What are the societal costs and gains when bringing a product or service to the market? Which externalities are affected?
- Programs or projects: What is the societal effect of a project? Comparing the baseline with the results over time could be an objective.
- Departments of business unit: Performance management of a BU based on more than the standard KPIs, instead focusing on their impact on natural, human or social capital.
- Company-wide: Gives a bigger picture by including societal value, so less need for detail compared to a single project. However, a fair amount of detail will be necessary to create a valid Impact Valuation. Mostly feasible for general assessment of the company strategy, purpose and ESG/stakeholder reporting.

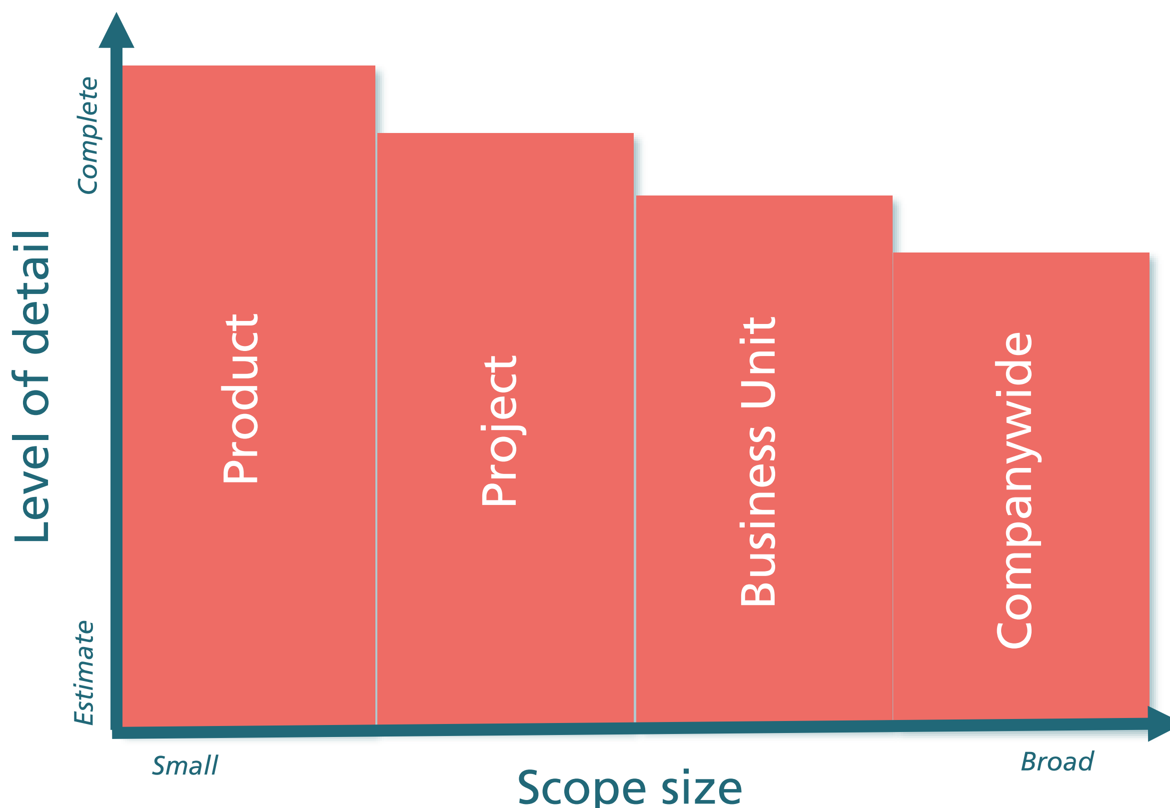

Figure 2: scopes need different level of detail

Scoping is key. As for the vast majority of companies Impact Valuation is new and so is the thinking around the topic. The availability of recurring data is new. The use of externalities and dependencies is new. And questions will rise on the validity of the assessment itself. Scoping will help to create credibility among all internal and external stakeholders.

Example Alliander with a Project scope

Customer x asked Alliander (Dutch energy network company), to increase their power supply as they needed more watts. Alliance wanted to understand the natural and economical effects of increasing the power supply for customer x. After performing an Impact Valuation it became clear the optimized value was not to increase the power supply, but to use smart grid solutions. It not only saved the company and customer x money, but also society's natural capital as no new resources were required to deal with the increase energy demand (Alliander, 2019).

6. The Impact Valuation cycle

When conducting an Impact Valuation the starting point is always why: why do you want a valuation? What do you want to achieve with this? The answer will then lead to the next set of questions: How to measure (meaning which theme or issue), How far up and or downstream the value chain, how to collect data, plus data availability and quality? How to create stakeholder engagement, not only internally but also externally, how to conduct the valuation itself and how the valuation will be used, including evaluation of the outcome and transforming information into intelligence.

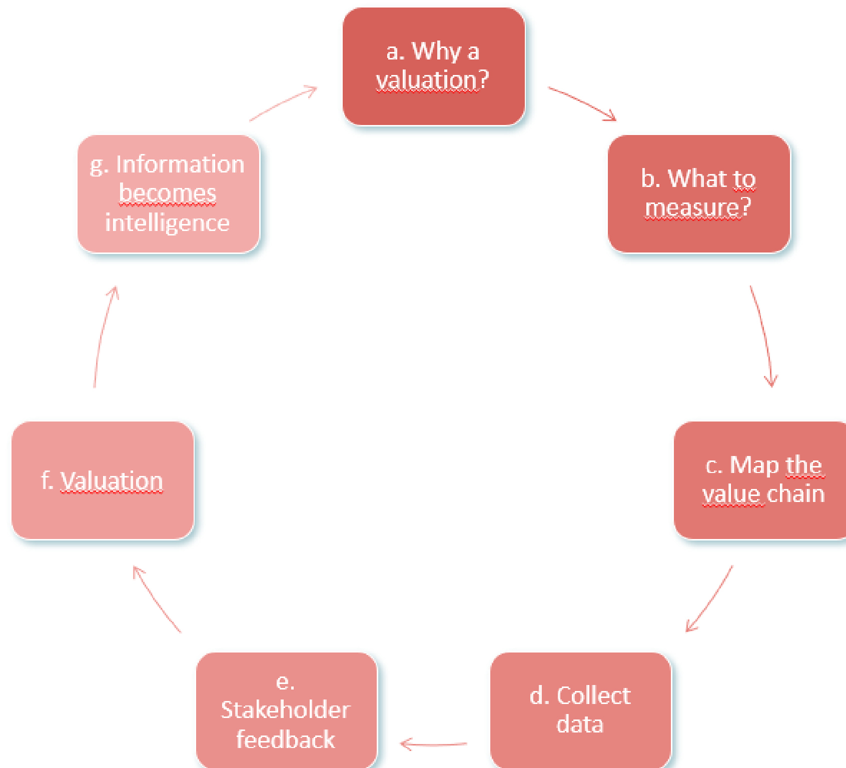

Figure 3: the Impact Valuation cycle © Empact[4]

a. Why an Impact Valuation

As we have seen in the previous section there are 5 main reasons to conduct an Impact Valuation. And there are multiple ways the results can be used. Moreover, a company is not limited to a single reason, different departments will have different interests. If improving 'Business enabling' is the main driver and not intended to be transparent within the outcome, then external stakeholder engagement seems less relevant. If reporting is important, third party assurance seems logical. If the impact of a project needs to be determined and the results are used to decide whether or not to continue with the project, data availability & quality is an important part of the process. Answering the why question will give the direction to design the roadmap ahead.

[4] The Impact Valuation Cycle is used in a single company case and is not scientific researched yet.

Example Dutch Railways (NS)

This company wanted to understand the human value of their customers. How can the railway services improve? For years, punctuality was the main driver. A major part of the financial spend allocated to new development was assigned to meeting time tables. Impact Valuation showed that indeed, trains running on time was important to customers. But the valuation also showed that a customer sees a train as a part of a door-to-door travel experience. And most issues experienced were not due to the trains, but getting to and from the station. In order to improve the overall service, the railway decided to invest in bike sharing, building bicycle parking areas, investing in car to go companies and more. The human value of their customers increased over time (NS, 2018).

b. What to measure

3 different scopes to conduct:

1) Business scope (Which part of the company? See previous chapter)
2) Impact scope (What kind of impact needs to be valued by making a choice for 1 of the 4 capitals and within that capital which impact drivers?)
3) Value chain scope (how far back and forward in the chain?)

c. Map the value chain

A general value chain consists of 5 phases: Sourcing raw material, Production, Distribution, Use and End of Life. Depending on the reasons to conduct an Impact Valuation, the complexity of the value chain and the scope determination, the full value chain needs to be mapped. The availability of the data is, at this stage, not a reason to include or exclude parts of the value chain.

d. Data collection

For most companies this is new and considered the bottleneck. But, obtaining specific or general data is relatively easy. Ensuring data quality is actually the hardest part. Ensuring data can be reproduced and recurrent as Impact Valuation will be increasingly important over the years.

e. Stakeholder feedback

Depending on the objectives of the Impact Valuation, this is where it escalates from good to great! The design should be shared in full and improved based on feedback. Alongside the internal stakeholders, a consideration could be to include external stakeholders, such as suppliers, and even NGO's. Their point of view will help solve the internal 'bias' and increase internal and external credibility.

f. **Valuation**

In general there are 3 different valuation techniques (Natural Capital Coalition, 2016):

- Qualitative valuation techniques are used to inform the potential scale of costs and/or benefits expressed through qualitative, non-numerical terms (e.g., increase in air emissions, decrease in social benefits of recreation).
- Quantitative valuation techniques, in turn, focus on numerical data which are used as indicators for these costs and/or benefits (e.g., changes in tons of pollutants, decrease in number of people benefitting from recreation).
- Monetary valuation techniques translate quantitative estimates of costs and/or benefits into a single common currency.

There are of course multiple pros and cons for each technique. Again, depending on the previous phases of the valuation cycle, the appropriate technique can be chosen. The availability of data, plus the amount of effort required to ascertain a valid valuation, will matter. Based on the techniques chosen there are different methods available to achieve pricing: Replacement costs, Damage costs avoided, Revealed preference (indirect), Contingent valuation (CV), Choice experiments (CE) (Natural Capital Coalition, 2016).

There are different data banks holding general information and pricing, which can be predominantly purchased on Natural Capital. Social and Human capital are more culturally, nationally and even regionally bound. It's inevitable these capitals have some subjectivity in valuing (Hoekstra, 2019). A good example is the value of a person's life: for years large health insurance companies have been making this assessment and using it in their calculation sheets. This group of companies do not see the value of a human life being subjective.

The main questions on subjectivity are statistical: can you scientifically demonstrate the human or social value for a group of individuals created by a company? Subjectivity becomes objectivity when it has statistical substantiation. Or as Economic Nobel prize winner Joseph Stiglitz framed it: "*It provides us with tools for enhancing individual and societal welfare*" (Stiglitz, Fitoussi & Durand, 2019, page 95).

g. Information becomes intelligence

The final stage of the valuation cycle is to interpret the valuation. What does it mean? How can we use the numbers? And what are the limitations, assumptions and pitfalls? And how literally can we take the outcome? In fact, this is where business information becomes business intelligence. And as this is a new lens for a company to manage, internal transparency about the methodology and its limitations is very important. Furthermore, improving the Impact Valuation is key. Especially over time, as Impact Valuation is most valuable when it's frequently repeated.

Third party Assurance

As integral part of the *Impact Valuation cycle©* of Empact, capturing processes, data assumption and calculations is standard to deliver quality. And if (limited) assurance from the accountant is wanted, also very necessary to deliver sufficient proof of the Impact Valuation in order to include the outcome in the annual report.

7. A case study: Vodafone and the Impact Valuation cycle

Telecommunications company Vodafone Netherlands is one of the world's leading communication businesses offering fixed, TV and mobile services to businesses and consumers. In a highly competitive and regulated market Vodafone Netherlands was able to deliver via one of the best communication networks in the world. With an almost 2 billion euro revenue in the Netherlands alone, Vodafone Netherlands is perceived as an innovative player, often used by the mother company Vodafone PLC as testing ground for the global organisation.

a. Why an Impact Valuation

The company wanted to understand their natural, social and human capital in order to build a new strategy for the next 3-5 years. During the scope phase it became clear this 'why' was too broad. Vodafone decided to narrow it down to natural capital. As ICT is responsible for 2% of the global greenhouse gas emissions, this was also material enough. Furthermore, the idea emerged that greenhouse gas reduction by customers using Vodafone sold equipment and services, could be significant.

b. What to Measure

During the 'b. What to measure' phase it became clear that the natural capital appeared to be scattered in the value chain. Especially upstream; it was estimated suppliers are responsible for up to 80% of the negative impact. The scope of the Impact Valuation was therefore set on the entire value chain. The most relevant environmental drivers were determined, although Vodafone decided, at this stage, to be as inclusive as possible and incorporate almost all of these.

c. Map the value chain and d. collect data

ICT is a relatively new industry with a massive innovation curve. The value chain has sufficient economical revenues. There is some governmental and non-governmental pressure on specific environmental topics within the value chain, including e-waste, energy efficiency of data centres, excess packaging and the use of toxic material in mobile devices. On the human capital side, conflict minerals originating from the Congo was (and might still be) an important issue in the value chain. This led to a better understanding of a very complex value chain. The availability of environmental data and the quality of such data is due to these developments. Collecting the data was therefore a relatively easy stage, even though it includes the full value chain.

e. Stakeholder feedback

During the stakeholder consultation phase, Vodafone opted for 4 different rounds. 2 internal and 2 external. After collecting internal and external feedback, using this to improve the method and data quality, a large external stakeholder consultation took place. The consultation ensured the method was credible to the external world, forging trust to continue. It also gave the company valuable insight on how to use and interpret the Impact Valuation itself. The robustness of the valuation was shared and tested at the last internal stakeholder consultation, ensuring creation of a buy-in.

f. Valuation and g. Information becomes Intelligence

The valuation was, surprisingly, the easiest part. All environmental data already had a standard pricing. No additional techniques were required to create prices. The only discussion entailed the carbon pricing. The interpretation phase led to:

1) A transparent publication of the Impact Valuation: Environmental Profit and Loss Account.
2) The insight that carbon enablement for a ICT company is extremely relevant.
3) About 90% of negative natural capital and 100% positive natural capital lies within the value chain.

A new strategy was built on this information, delivering on all 5 reasons to conduct an Impact Valuation:

a. Licence to operate
- By including external stakeholders

b. Improve business enabling environment
- A better understanding of the effects of climate change
- External sharing of the Impact Valuation

c. Optimize business processes
- Policies that datacentres should be at least 15 meter above sea-level or sufficient actions against expected water floods
- Creating a carbon neutral operation

d. Strengthen the value chain
- Position Vodafone internal and external as a green leader. Bring this in full to Vodafone Global and therefore act as a green leader.
- Initiate carbon reduction demands for suppliers

e. Development of impact enhancing products (innovation)
- Using carbon enablement in marketing positioning. Creating new markets for existing products and new products for current markets, leading to carbon saving IoT and Smart Working propositions
- Development of Carbon enabling revenue, published a year later

8. Why should we (not) do this?

Empacts primary belief is that Impact Valuation the key to create a sustainable and fair world. Key to deliver on the SDGs. Key to strategically understand the societal value of a company. And key to for action making in order to remain a relevant company in the long-run. But, profoundly, key to engaging internal and external stakeholders stimulating them to think and act beyond EBITA. With every new development comes resistance. @Empact we understand that real sustainable change will only be sustainable when it lasts.

> People don't fear change
> People fear sudden change
> People don't fear evolutions
> People fear revolutions
> *Simon Sinek (2020)*

There are many arguments for and against conducting an Impact Valuation. Depending on your viewpoint, your role in an organisation and the kind of company you represent. Here's an overview of 5 pros and cons, derived from experience:

Pros	**Remarks**
Instigate a better level of trust among our stakeholders.	If that is the main driver, there are better ways to create trust: open up.
By doing this annually we are able to measure our progress.	This is true: also build company knowledge as this should be part of your core business.
Finally a way to show the value added by our sustainability performance.	But also prepare for the opposite. Impact Valuation will show that 'pet projects' have less effect than one might expect.
We can now access, on a strategic level, our PMC's (product market combinations) based on societal value, alongside revenue.	To get strategy and marketing started using Impact Valuation you'll need to be a true purpose business, or have a strong C-level commitment. Otherwise don't expect a cheering crowd. You'll need patience. Let it grow.
We now can measure our purpose and share internally (and externally) how we are doing.	If your purpose is implemented without a solid measurement, this is very true. Most of the time it provides a better view of the state of a company's purpose.
Con's	**Remarks**
We are here to make money.	If this is really true, you can either ask yourself, do you want to work for this company? Or state that Impact Valuation will help to make money by creating new business insights.
We are sharing too much info with our competitors.	If all analysis is shared this is true. Partly or not publicizing should be considered.
This is too complex and will never have the same status as financial data.	Yes it's new, but no it's not rocket science. It's mostly using existing data in another way. And yes, but it also will give a better understanding of the current and future financial gains and costs. And who knows, in 5-10 years' time Impact Valuation is indeed part of a "weighted account"!
The method is too subjective.	Just as subjective as a strategy measurement, NPS, SLA's or employee satisfaction. There are plenty of ways to create an objective image of 'social' science. And yes monetizing will give an image of objectivity while it's based on more subjective societal value. The 'creating intelligence' phase will cope with this. Also the effect calculation will be a question: to what extend can the external effects be part of a companies impact valuation? And how to cope with double counting?
We are a service company, this is only relevant for a product producing business.	There are different reasons why a certain type of company uses Impact Valuation. For a product producing business, questions could relate to the cost of externalities. For a service company the future proof of the revenue is based on societal value. So also here, start with the reason why.

9. How to get started

The previous pages provided an introduction to Impact Valuation. If you want to start, begin with the end in mind (Cofey 1989). This especially applies when commencing with a companywide scope. Here below a few pointers to help you on your way:

1) Determine a general why: what do you want to achieve with this? What kind of question will you answer? And for who is the answer relevant? What does a successful Impact Valuation look like?
2) Create an idea of the scope: not only product vs companywide, but also which (part of) the capital: economic, nature, human or social?
3) Get expert help. If you don't execute this well, you could receive resistance, placing the company's impact thinking on hold.
4) Ensure you involve your most important internal stakeholders. And certainly have finance on board. Without support of the internal reporting processes it is hard to gain the insights carried by the decision makers.

"It's better to be roughly right than precisely wrong"
John Maynard Keynes (and Carveth Read)

5) Find the right balance between giving a full and complete valuation result vs the most feasible and ready to use valuation. This is an important point to consider. Especially with financial reporting, it's difficult to build a bridge from solely fact based figures towards assumptions and statistical estimates.
6) Aim for knowledge building for yourself and your company. Your ambition should be improvement, development and implementation of value thinking.
7) Don't let yourself be tempered by potential pitfalls like the availability and quality of data, lack of internal understanding, available budget. Its determination which can bring this alive.

Above all, understand what you're doing and how it will help you. Enjoy the process, it will give you a much broader understanding of your business. And for further information contact Martin de Jong from Empact: martin.dejong@empact.nu.

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