

6 starting positions to measure impact

Organizations are led on more than financial KPIs. Vision and strategy are important for the long term, operational performance for the short term. But as our world becomes more and more complex, decisions need to be made faster, with more variables to consider. Internal variables, but also external variables sometimes comes unexpectedly, as the COVID-19 crisis shows. At the same time, we see that more and more companies not only want to maximize the value of their shareholders, but also create value for the society in which they operate.

Intangible internal and external variables and the need to create societal value are often puzzles for organizations. Measuring impact can help make the intangible tangible. It helps to understand the economic, natural, social and human value and to determine the impact of a company in a society. It helps highlight risks in the value chain and provides a way to build a targeted 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.*

Two questions and six starting positions

We distinguish 2 questions of valuing impact: Is there an internal or external orientation? What kind of decisions should be made, operational or more strategic? At the intersection of the answers to these questions lies the starting position for impact valuation.

- a) The orientation: internal or external. Often impact measurements will not be shared externally, the calculations contain too much confidential company information. Externally shared measurements are usually intended for accountability reasons on policies or activities.
- b) The "level" of an impact measurement can be very operational or more strategic. Sometimes it also goes together, a consequence of the strategic use of impact valuations is the operational impact measurement, often along the entire value chain.



6 starting positions to measure impact (Empact, 2020)

1. Production / operation

The most famous impact calculations are related to the environmental impact. Life cycle assessments are required, as are external environmental databases. Risk management at an operational level can be calculated just like the environmental costs. When the environmental effects are monetized, we can also consider this as an impact measurement. Examples of organizations that (partly) apply this are: Philips, Bam and Nike.

2. Effect measurement & reputation

Performing a social cost & benefit analysis is a common approach for a government intervention. Impact valuations are only a small step further and quantify this analysis. Impact valuation is often used for accountability of a project/policy and in reputation management, for example to substantiate specific issues. Examples of organizations that apply this, in addition to governments, are: Solidaridad, Heineken and Vodafone.

3. Societal outcome

Often the effect (output) of a social project is recorded, but not the impact (outcome). Impact valuation places the effect in the full context. This can demonstrate the impact on the societal problem by an organization, but also, the value of a societal project of an organization. Measuring impact is very suitable for integrating CSR into business operations. Examples of organizations that (partly) apply this are: Snapcar, Vitens and Standard Chartered Bank.

4. Reporting & ESG

More and more public interest organizations that are obliged to report on sustainability are switching to report on societal impact. This has started the next maturity phase of sustainability reporting. Examples of organizations that (partly) apply this are: NS, AkzoNobel and Schiphol.

5. Integral & Purpose

A strategic vision on creating impact value has an effect on the entire business. The transition to this purpose-driven organization, is a long-term goal. Except for social enterprises, which often have a social objective that is pursued in a commercial manner. The impact measurements are crucial to make the right decisions. Examples of organizations that (partly) apply this are: Unilever, DSM and BASF.

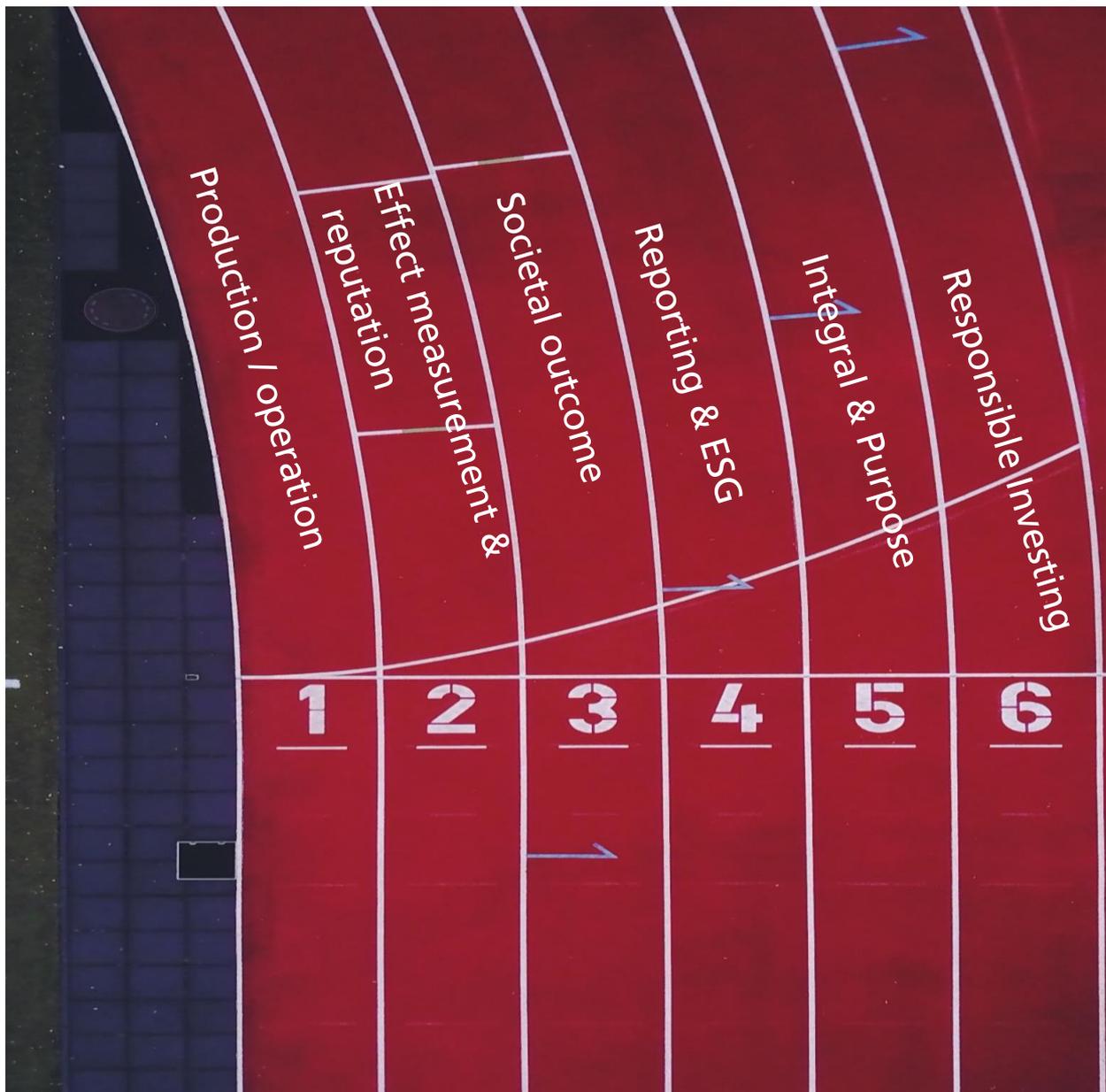
6. Responsible Investing

For many companies, so-called "responsible" investors are attractive shareholders. These investors emphasize long-term profit combined with societal impact. Determining which companies are interesting enough is mainly based on ESG information that is processed into ratings. More and more investors are using impact valuations to gain better insight on their investments. Examples of organizations that (partly) apply this are: Blackrock, PGGM and, in addition, almost all institutional investors to a greater or lesser extent.

Standard Implementation of impact valuation

Organizations often have a limited set of data available to determine the impact. That is why standard external sources (databases) are available that can assess the impact. On the basis of output (for example, the number of products sold, peoples lives improved or increasing assets), a more qualitative outcome can be calculated. And if the external unpredictable variables are important, it is relevant to use a standard impact valuation model for this. In addition, the choice for the business level is important. Do you start with at product, project, business unit level or immediately company-wide? The ambition and the starting position of impact assessment will determine the implementation.

Interested? Please contact Martin de Jong of Empact: martin.dejong@empact.nu or [download the free whitepaper](#) on impact valuation.



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