

## Sustainable Business Roundtable Spring 2016 Meeting “Impact Assessment”

November 19-20, ESMT European School of Management and Technology



Sustainable Business Roundtable (SBRT) member companies and the invited guests met on April 21 and 22, 2016 at ESMT European School of Management and Technology in Berlin to discuss the topic of impact assessment.

The challenge of conducting impact assessment is quite new to companies. As tellingly summarized by Kitronna Cerri (World Business Council for Sustainable Development), every single company doing impact assessment is at the beginning of the journey – and these are already the frontrunners!

The following is a summary of the key recommendations and learnings.

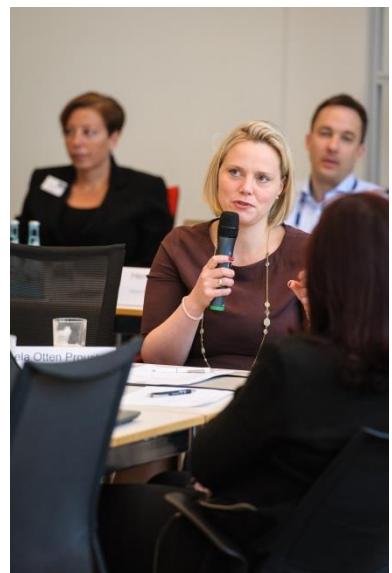
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### Key recommendations

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#### 1. Reasons for conducting impact assessment: it is important to stakeholders

Besides the obvious reasons for conducting impact assessment – to assess whether our programs and strategies are working and to guide future decisions - the presentations and discussions showed that impact assessment is important to investors (and we had some investors in the room, e.g., Matt Christensen from AXA IM, who emphasized this reason for conducting impact assessment). It is becoming more and more important to customers (including in the B2B area – the companies shared stories about customers demanding impact assessments). It is also important internally; as shown in the case of Siemens – impact assessment can generate high levels of engagement and excitement among people that are involved in impact assessment projects. It helps to increase a sense of belonging among employees, it generates awareness of sustainability issues and it



signals transparency. As summarized by Daniela Proust (Siemens): “It is not the technique, it is the people that matter when applying impact measurement.”

## 2. Different strokes for different folks

One of the recurring themes throughout our discussions was the need to be clear about which stakeholders you want to influence with your impact assessment and to make sure you translate impact assessment results into their language. For some, euro and dollar signs will do the job. For others, terms of risk avoidance play a bigger role, and Alexander Cox from ERM showed in his presentation that a good way forward is to be proactive in managing risks. For still others, who may be uncomfortable with monetizing human life for instance, the appeal needs to be emotional. In these cases CB Bhattacharya, founder of Sustainable Business Roundtable at ESMT, advised to use story telling.



## 3. Go beyond the outputs

This was the key learning for many participants. You need to measure more than just the output of your actions. Many companies, incorrectly, stop here. There are, however, good examples that show how to go beyond output measurement. For example, AXA IM also tracks outcomes and impacts in their Impact Investment Process. E.g., outputs for generating financial inclusion could be job creation, employee training, and affordable products. Outcomes, on the other hand, would focus on the number of underserved clients, percent of women clients, number of underserved SMEs helped. Finally, impacts would be already at a different level, e.g., the income increase, greater access to health, housing improvement.



## 4. Focus on the change and think about monetizing

An impact is defined as “the process of identifying the future consequences of a current or proposed action. The ‘impact’ is the difference between what would happen with the action and what would happen without it.” (International Association of Impact Assessment). The focus is on the change, and the change can be measured using qualitative and/or quantitative data. Beware, it seems the



trend in the future will be to monetize the impacts – are you prepared to do this? During our discussions, Rashila Kerai (RobecoSAM) mentioned that impact measurement and valuation will be tested as a criterion in the Dow Jones Sustainability Index assessment. Companies will be asked, for example, about the types of valuation used (qualitative, quantitative or monetary). Although it was not stated that the monetary valuation will be rewarded, the participants agreed that this is something we may need to strive for as it also helps to translate the impact assessment results into the common language.

## 5. Yes you can!



This is all difficult, but – believe me and the other experts sitting on the Roundtable – it is possible. Adriana Rejc Buhovac (the co-author of “Making Sustainability Work: Best Practices in Managing and Measuring Corporate Social, Environmental, and Economic Impacts”) described the methodologies and tools available that will help you to measure your impact, e.g., program logic models, discounting cash models, life cycle assessments, Monte Carlo analysis. What we thought to be unmeasurable is in fact possible to measure and someone within our

organizations might already be doing it (e.g., the marketing department, accounting, etc.). The social sector has been doing it for years and we can use their learnings. What are we so afraid of?

## 6. Don't be shy to share the successes; don't be ashamed to share the failures

Yes, we are at the beginning of the journey to conduct impact assessment at companies. No, it does not mean that we have to quietly perfect our methods and only share the results with the world in five years, or whenever we feel we are ready. The participants of the Sustainable Business Roundtable were happy to communicate and discuss their problems. As

Laura Scott (The Walt Disney Company) put it “Talk through your problems as it helps you find a route through.”



## Key learnings

- Go one step further when measuring impact. You need to differentiate between outputs, outcomes and impacts.
- Baseline definition is crucial for impact assessment. Concentrate on the relevant factors and have courage to leave some factors out.

- Set better boundaries on baseline according to a clear shared goal.
- Ask the right questions at the beginning: why am I doing this? Who do I want to target and what type of information does this stakeholder want to see?
- Be clear about the stakeholders you want to influence. Be clear about the decisions of the stakeholders you want to influence.
- A good communication plan is important.
- So is the internal buy-in. Use plain language to generate it and remember to be clear about the scope and boundaries.
- Measurements can be done, impacts can be monetized. The tools are there, we can learn the techniques. But we need to apply them with a purpose.
- Don't be afraid to make assumptions, but do it in a cohesive and consistent way.
- You need to establish KPIs and quality checks throughout your impact measurement process.
- Listening to other approaches will help you to proceed on the path (i.e., share best practice).

***Thank you for your participation and contributions!***

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## **After the event**

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### Next Sustainable Business Roundtable

Mark your calendars: the next SBRT meeting will take place **November 10-11, 2016**. We will focus on stakeholder engagement. Please make sure to discuss this meeting with colleagues from your team, as we strongly encourage each member company to bring along a representative who stakeholder engagement.

### Meetings in 2017

In 2017 we will meet on **April 27 and 28, 2017** and **November 02 and 03, 2017**. The topics will be decided based on the collected suggestions.

### More from the event

Using our SBRT **online platform** [elearning.esmt.org](http://elearning.esmt.org) you can access the presentations from all SBRT events. Please use the password provided in a separate email.

### Newsletter

The next SBRT Newsletter will be distributed in **September 2016**. We are already in the process of collecting your contributions on current trends, issues, challenges at your companies and in general, in the field of corporate sustainability. Please share your ideas with Joanna Radeke ([joanna.radeke@esmt.org](mailto:joanna.radeke@esmt.org)). She will talk you through the available formats for your contribution (e.g., a short essay, an interview).

### Staying in contact

The **CSB LinkedIn group** and **Twitter (@csb\_esmt)** allow the SBRT members to discuss and to share information on sustainability at any time.