



STUDY GUIDE

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Book Summary

The Case for Impact is a practical guide for business leaders and provides compelling business reasons for engaging actively in impact valuation. Full of tangible examples and down-to-earth advice, this book describes several pragmatic ways on how to get started with measuring impact and how to embed it into your strategy and operations. Written by an impact valuation practitioner, the book provides a personal perspective on the role of impact measurement in sustainability reporting and for a future economy of impact.

About the Author

Sonja Haut has worked on impact valuation for Novartis since 2015. She has earned an MBA from IMD Business School and is a First Movers Fellow of the Aspen Institute.

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Ms. Haut holds degrees in physics and mathematics from the University of Freiburg, Germany. She is the author and co-author of white papers, reports, case studies, opinion pieces on the role of impact valuation for business, society, and the economy:

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Learning Objectives and Applications

The Case for Impact deepens the understanding of metrics as essential for management. Random metrics deliver random results. Impact metrics deliver impact results.

The book is modular and can be studied by chapters. It can be used in general management, strategy, organizational behavior, organizational learning, entrepreneurship, management accounting, leadership, and sustainability courses.

The sub-chapter structure per chapter is as follows:

1. Chapter Summary

2. Key Concepts and Key Words

- including references from the book
- pointing to key resources referenced in sub-chapter x.6.
- this does not repeat definitions of terms used which are typically provided by the originals referenced

3. Learning Objectives

4. Assignment Questions

- Questions marked with * focus on individual growth rather than on knowledge acquisition and deepening.

6. References Used in the Chapter

- with the full list of references from the book for this chapter

0 PROLOGUE and INTRODUCTION

0.1 Chapter Summary

The Prologue provides the author's personal motivation to engage in writing the book, introducing the concept of *ikigai*. The introduction references the characterization of today's world as VUCA and explains the flow of the book chapters.

0.2 Key Concepts and Key Words

- Ikigai
 - World Economic Forum. What is ikigai and how can it transform your leadership and business for good? [updated 2022 Jan 17; accessed 2022 Jul 7]. Available from: https://www.weforum.org/agenda/2022/01/ikigai-how-it-can-transform-leadership-and-business-for-good?utm_source=linkedin&utm_medium=social_scheduler&utm_term=Davos+Agenda+2022&utm_content=19/01/2022+08:00
- VUCA
 - Wikipedia. Volatility, uncertainty, complexity and ambiguity. 2022 Dec 15 [updated 2022 June 18; accessed 2022 Jul 7]. Available from: https://en.wikipedia.org/wiki/Volatility%2C_uncertainty%2C_complexity_and_ambiguity

0.3 Learning Objectives

- Understand the advantage to having a comprehensive picture of one's life, encompassing personal and professional aspects. It makes sense to be clear about one's personal and professional purpose.
- Explore and discover how it may be possible to remain optimistic and maintain agency despite the massive social and environmental challenges that we face as individuals and professionals.

0.4 Assignment Questions

- 0.4.1 How does the concept of VUCA resonate with you?
- 0.4.2 What are your sources of energy as you pursue your purpose and seek to sustain your leadership intentions?
- 0.4.3 * What does your personal *ikigai* look like?

0.5 References Used in the Chapter

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1 BUSINESS DRIVERS FOR IMPACT

1.1 Chapter Summary

Chapter 1 BUSINESS DRIVERS FOR IMPACT captures the seven intrinsic motivations for businesses to engage in measuring impact:

- brand differentiation
- talent attraction and retention
- innovation
- operational efficiency
- risk mitigation
- capital access and market valuation
- theme alignment – the result of a multi-stakeholder dialogue based on shared facts

It encourages understanding of what their market ecosystem is and what it might become. Relationships, and particularly trust, form the undercurrent of the dynamic, and a subsection is devoted to them.

1.2 Key Concepts and Key Words

- Measuring the business value of impact
 - Evans R, Siesfeld T. Measuring the business value of corporate social impact: Beyond social value to enterprise performance. Deloitte Insights. 2020 Jul [accessed 2022 Jul 7]. Available from: https://www2.deloitte.com/content/dam/insights/us/articles/6737_measuring-business-value/DI_DR27-Measuring-corporate-impact.pdf
- Trust and Reputation
 - Eccles R G, Newquist S C, Schatz R. Reputation and Its Risks. Harvard Business Review. 2007 Feb [accessed 2022 Jul 10]. Available from: <https://hbr.org/2007/02/reputation-and-its-risks>
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1.3 Learning Objectives

- Philanthropic engagements are easily cut back or abandoned when the going gets tough. Learn to appreciate that for an impactful intervention to be continued it has to make business sense. At some point, after a possibly extended period of time, it has to deliver

BUSINESS DRIVERS FOR IMPACT

on the company's performance i.e., top line, bottom line, risk management, reputation, access to capital, or theme alignment. The topic of theme alignment, also referred to as stakeholder engagement, and relevant for trust and reputation, is quintessential. There are 7 business drivers for engaging in impact:

- Brand differentiation. Social purpose has been shown to drive consumer decisions and enable companies to charge a price premium, leading to increased revenue.
- Talent attraction and retention. Alignment between company and employee values increases employee engagement, leading to improved profitability through higher productivity and cost reductions from lower turnover.
- Innovation. Efforts to improve the healthiness and/or environmental and social footprint of products can be an engine of innovation, spurring increased revenue from new products and new markets.
- Operational efficiency. Decreasing a company's footprint in packaging, water use, materials use, and waste production can yield significant cost savings.
- Risk mitigation. Failure to effectively address environmental and social risks can create serious financial and operational performance challenges. Social impact efforts can have important mitigation effects, resulting in avoided costs or lost revenues and higher valuations.
- Capital access and market valuation. Corporate social impact efforts are positively related to market valuation and cost of capital.
- Trust. Trust is the essence of economic activity and prospering societies. It is so basic that it is often taken for granted and overlooked. It emerges powerfully when it is lacking and missing / incomplete alignment and agreement lead to suboptimal or even destructive consequences.

1.4 Assignment Questions

- 1.4.1 Propose a simplified version of the Deloitte model
- 1.4.2 Why is it that "trust" needs to be spelled out explicitly?
- 1.4.3 The concept of trust applies to individuals and to businesses. Which are the communalities, which are the differences?
- 1.4.4 What is the link between trust and corporate reporting?

Optional questions:

- 1.4.5 Check out the Edelman Trust Barometer for your country. What did you learn? What are the implications for businesses and business leaders? Which are the implications for governments and political leaders?
- 1.4.6 What is the role of the media in your country in this context? What is the role of social media in this regard in your country?

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2 A BRIEF HISTORY OF IMPACT VALUATION IN BUSINESS

2.1 Chapter Summary

Chapter 2 A BRIEF HISTORY OF IMPACT VALUATION IN BUSINESS explores trailblazing practitioners, methodologies, and thought leaders.

2.2 Key Concepts and Key Words

- Total Impact Measurement and Management (TIMM) by PwC
 - PwC. Measuring and managing total impact: A new language for business decisions. 2013 [accessed 2022 Jul 10]. Available from: <https://www.pwc.com/gx/en/sustainability/publications/total-impact-measurement-management/assets/pwc-timm-report.pdf>
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 - Kate Raworth. A healthy economy should be designed to thrive, not grow. [YouTube] 2018 Jun 5 [accessed 2022 Jul 10]. Available from: <https://www.youtube.com/watch?v=Rhcrbcg8HBw>
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 - Institute of development studies. Participatory Learning and Action (PLA). [accessed 2022 Jul 10]. Available from: <https://www.participatorymethods.org/glossary/participatory-learning-and-action-pla>
- Social Return on Investment
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2.3 Learning Objectives

Develop an understanding for the variety of concepts that impact valuation practice draws on. Appreciate how this makes the approach both more powerful and broadly applicable.

2.4 Assignment Questions

- 2.4.1 What is the role of Participatory Learning and Action (PLA) in this context?
- 2.4.2 Examine the PUMA case study in PwC's TIMM (see 2.2. Key Concepts and Key Words, first bullet; case study 2, pg. 20) . What does the example deliver, what does it not deliver?
- 2.4.3 Select a case study for the application of the Natural Capital Protocol that can be linked to the "Social Return on Investment" concept. How could it be interpreted as an example of Participatory Learning and Action? What does it mean for a company's path to corporate responsibility?

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3 DIFFERENT SCENARIOS – ONE APPROACH TO IMPACT

3.1 Chapter Summary

Chapter 3 DIFFERENT SCENARIOS – ONE APPROACH TO IMPACT VALUATION illustrates the seven business drivers outlined in chapter 1 with concrete examples from businesses in different industries and different geographies.

3.2 Key Concepts and Key Words

- Financial profit and loss
- Total Impact Measurement and Management by PwC
- True Value by KPMG

3.3 Learning Objectives

Understand why it makes good business sense for businesses to engage in impact valuation. Show how companies which have done so benefited substantially. Apply the framework introduced in Chapter 2 – seven business drivers to create impact.

3.4 Assignment Questions

- 3.4.1 What is the definition of impact provided by the G7 ITF? Why does it matter to have a definition?
- 3.4.2 Which examples of impact valuation driving sales, reducing costs, managing risks, creating a market, engaging with stakeholders did you find most surprising? Which ones did you find most convincing? Why?
- 3.4.3 How would you get started applying impact valuation in your company or your line of business?

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4 GETTING STARTED WITH IMPACT VALUATION

4.1 Chapter Summary

Chapter 4 GETTING STARTED WITH IMPACT VALUATION offers a tangible definition of impact and proposals how a business can gradually and pragmatically adopt the impact valuation practice.

4.2 Key Concepts and Key Words

- Value Balancing Alliance
- Impact Valuation

4.3 Learning Objectives

It makes good business sense for businesses to engage in impact valuation. Companies which have done so benefited substantially. However, seeing the final product – irrespective whether it is delivered as a report, narrative, speech, message, or in any other form – does not answer the question how to get started. There are three pathways to get started with the practice – pragmatically, in an exploratory manner, or strategically. The strategic approach is discussed in the separate chapter 7, this chapter focuses on the exploratory and pragmatic approaches.

4.4 Assignment Questions

- 4.4.1 What are the benefits of an exploratory approach?
- 4.4.2 How does jump-starting the practice by quickly delivering impact valuation figures help? What is it that it cannot deliver?

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5 INTEPRETING IMPACT

5.1 Chapter Summary

Chapter 5 INTEPRETING IMPACT comes with the six most obvious lenses through which impact results can be assessed for tangible sense-making. The expected outcome of the process is an appreciation of the business's impact profile, and a new understanding of its strengths and weaknesses. Three of these lenses are illuminated by real-life business examples.

5.2 Key Concepts and Key Words

- Materiality Assessment
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- Macro economy
- Systems thinking
- NOT INCLUDED is how impact valuation results could be interpreted from the point of view of [GRI](#) guidance

5.3 Learning Objectives

Internalize the fact that, like with all data points, also impact valuation results do not speak for themselves: Data always requires interpretation and contextualization. Appreciate that none of the 6 contexts presented in the book – materiality assessment, risk, economy, national targets, value chain, system – is per se better or worse than another; instead, each contextualization can reveal additional facets of insights. What could the steps be towards the choice of an interpretation or context?

5.4 Assignment Questions

- 5.4.1 How is the interpretation of impact statements the same as the interpretation of financial statements? How are the two different?
- 5.4.2 Which 3 (of the 6) contextualizations come most naturally to you, and why? Provide a sequence of preference for the 3. Then pick one and apply it to your own business / line of business.
- 5.4.3 Which questions come to mind? Which insights did you derive from this theoretical exercise?
- 5.4.4 * Which context area is hardest for you to grasp? List all elements that hinder your understanding (minimum 5).

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6 OPERATIONALIZING IMPACT

6.1 Chapter Summary

Chapter 6 OPERATIONALIZING IMPACT dives into the practical heart of the matter by assessing what to measure, how to measure, and how to value impacts.

6.2 Key Concepts and Key words

- Impact measurement and valuation method and metrics
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- Organizational structures and organizational learning
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6.3 Learning Objectives

Start to understand what it takes to fully embed impact valuation metrics (or other novel approaches) in business processes.

6.4 Assignment Questions

- 6.4.1 Explain the selection process for impact indicators. How is it different to classical measurements of performance?
- 6.4.2 Consider current decision-making processes in your company/line of business. What needs to happen for these processes to consider impact?
- 6.4.3 How can you go about building impact capabilities in your team(s)?

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7 PURPOSE, STRATEGY, AND IMPACT

7.1 Chapter Summary

Chapter 7 PURPOSE, STRATEGY, AND IMPACT shows how purpose, strategy and measuring impact interrelate. Impact valuation can be approached from a strategic point of view. Also, impact valuation metrics can be derived from the purpose of the company and subsequently measure the extent to which the corporation enacts its purpose.

7.2 Key Concepts and Key Words

- Corporate purpose
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7.3 Learning Objectives

Understand for the strategic role of impact metrics, for how impact metrics support the management for purpose fulfillment, and how purpose links to sustainability.

7.4 Assignment Questions

- 7.4.1 Why does purpose matter for a business? Why are metrics needed related to purpose which could be viewed as something engaging and rather emotional, whereas metrics are established in the areas of performance and progress?
- 7.4.2 Discuss whether “maximizing profit” is a meaningful purpose for designing a strategy and running a business?
- 7.4.3 What is the link between strategy and key performance indicators in incentives and for business steering? How do you get from strategy to execution?

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8 ESG, REPORTING, AND IMPACT

8.1 Chapter Summary

Chapter 8 ESG, REPORTING, AND IMPACT shows impact valuation in the context of sustainability reporting and disclosures. Many years have elapsed since the acronym ESG was coined but the current debates hint that that the welcome maturing process of the discipline only starts now. Metrics are subject to regulatory intervention. Many governments and the EU are about to issue their new disclosure requirements around ESG (Environment, Social, Governance). They are entering a field that is already overflowing with metrics guidelines and frameworks, and the development of an understanding, let alone agreement on the way forward, has not kept pace.

8.2 Key Concepts and Key Words

- ESG
- Sustainability
- Double Materiality
- Corporate Reporting

8.3 Learning Objectives

Develop an understanding for the difference between ESG and sustainability. Picture this: Beyond the confusion of ESG, the risk for businesses is that the ESG disclosure requirements result in a burdensome compliance exercise for businesses – instead of showing the path to sustainable strategies and operations. Appreciate why it makes sense to businesses to support the convergence efforts towards unified non-financial metrics frameworks and to rally behind impact metrics to avoid a duplicated, or worse, empty reporting burden.

8.4 Assignment Questions

- 8.4.1 What is ESG, where does the concept originate from? Explain the trust issue around “greenwashing” that ESG is experiencing?
- 8.4.2 How are impact metrics addressing the trust issue and help move towards sustainability?

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9 TOWARDS AN ECONOMY OF IMPACT

9.1 Chapter Summary

Chapter 9 TOWARDS AN ECONOMY OF IMPACT outlines how the pieces of the impact puzzle could be joined, and how they partially are already. Impact metrics do not only make sense for businesses. They are also meaningful indicators for investors and for governments. If all economic actors embraced impact, impact would show its transformational power to establish a new, equitable and sustainable economy – the impact economy.

9.2 Key Concepts and Key Words

- Impact investing
- Impact accounting
- Impact economy

9.3 Learning Objectives

Appreciate why and under which conditions the impact economy is attractive and feasible.

9.4 Assignment Questions

- 9.4.1 How can impact valuation be the managerial concept for stakeholder capitalism?
- 9.4.2 What are signs of an emerging impact economy?
- 9.4.3 * Personally, how attractive do you find the prospect of living in an impact economy?

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10 LESSONS FROM THE JOURNEY

10.1 Chapter Summary

Chapter 10 LESSONS FROM THE JOURNEY comes with ten personal learnings that manifested themselves as the author went through the journey of establishing the impact measurement and valuation practice in my company.

10.2 Key Concepts and Key Words

- Leadership
- Learning

10.3 Learning Objectives

Every event, and every situation, comes with an opportunity to learn and grow as a person.

10.4 Assignment Questions

- 10.4.1 Which of the leadership lessons presented have you experienced yourself?
- 10.4.2 Which of the leadership lessons resonate with you beyond the ones that you have learned yourself?
- 10.4.3 * Which of the leadership lessons do you find irritating, and why?

11 CONCLUSIONS and EPILOGUE

11.1 Chapter Summary

The application of impact metrics is meaningful for business irrespective from a company's level of endorsement of sustainability, corporate responsibility and the like. Emerging regulatory trends will mandate disclosures that can act as an opportunity for business if they are impact-based. In the investment space, the regulatory movement is more advanced in that there is already a classification of what constitutes an impactful investment. Governments can embrace impact metrics, too, for their own purposes of decision-making and steering.

The epilogue comes with a call for outrage and optimism, which is also the name of the blog by Christiania Figueres the costa-rican politician whose collaborative and relentless diplomacy resulted in the Paris Agreement.

11.2 Key Concepts and Key words

- Both/And Thinking
 - Smith W K, Lewis M W. Both/And Thinking. Embracing Creative Tensions to Solve Your Toughest Problems. 2022 Aug 9 [accessed 2022 Aug 21]. Available from: <https://www.amazon.com/Both-Thinking-Embracing-Creative-Tensions-ebook/dp/B099NV3Y98>
- Megatrends
 - Zpunkt. Megatrends 2007. 2012 Oct 30 [accessed 2022 Aug 21]. Available from: https://www.slideshare.net/th_convergence/2007-20-mostimportantmegatrends
- Flipping the VUCA
- Complexity management
 - Snowden D J, Boone M E. A Leader's Framework for Decision Making. Harvard Business Review. 2007 Nov [accessed 2022 Jul 12]. Available from: <https://hbr.org/2007/11/a-leaders-framework-for-decision-making>

11.3 Learning Objectives

The profound megatrends that characterize our time require us to become at ease in dealing with complexity. Develop a sense for the fact that undue simplifications can be dangerous. Even advanced pattern recognition – connecting the dots – will no longer suffice. Check out promising concepts that can address this, such as the framework of complexity by and Both/And Thinking.

11.4 Assignment Questions

- 11.4.1 What does “flip the VUCA” mean to you?
- 11.4.2 From your experience, which examples can you provide to illustrate the concept of complexity management?
- 11.4.3 * After having read the book, how have your perspectives on your personal and business *ikegai* changed?

11.5 References Used in the Chapter

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CONCLUSIONS and EPILOGUE

Thank You for Using This Study Guide!

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Sonja Haut