Impact Measurement Systems

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**Abstract** (250 words)

**Introduction**

**Sustainability Measurement Systems**

As organizations continue to create sustainability strategies and put sustainability practices in place, methods to measure the impact of those changes must also be introduced. Companies and stakeholders want to have a clear understanding on if their sustainability practices and strategies are producing the intended benefits. In addition, stakeholders want transparency into the cost benefit ratio of the sustainability strategies in which companies are investing resources and money. Some benefits and costs are difficult to measure but it is critical to understanding both hard and soft benefits and costs. Interest in sustainability has moved from ideology to reality and organizations have started to make considerable investments in the measurement of sustainability-related aspects (Mura, Longo, Micheli, &Bolzani, 2018).

**Social Measurement Systems**

Two popular approaches for measuring the social impact within non-profit organizations include social accounting and audit (SAA) and social return on investment (SROI). According to the Social Audit Network, the SAA framework works with an organization’s existing systems to create a process to account for social, environmental, and economic impacts as well as reporting on performance and creating an action plan to improve that performance (“What is social accounting and audit,” n.d.). The SAA process allows companies to understand how they are impacting others so that it can share the success it is making and continue to improve in their sustainability efforts.

The SROI approach is intended to help companies understand and manage the impacts of a project or policy on stakeholders of the company. SROI generates a ratio of dollars spent to dollars saved at its core, it assesses method as well as result (“Social value SROI guide,” n.d.). The tool provides a monetary worth based on the social value that is created through a company’s activities. SROI outcomes are more explicitly quantitative and reductive which is most evident in the production of the ‘SROI ratio’, which calculates a monetized ‘return’ on investment (Dey & Gibbon, 2017).

**Environmental Measurement Systems**

In order for organizations to build an accurate and efficient corporate sustainability strategy, leaders need to recognize that environmental impacts are essential in the process. In some instances it can be difficult to measure environmental impacts or sustainability because data can be incomplete or the unmeasured “grey” areas can be subjective and opinion-based. Some corporations consider one factor more valuable or important than another which can offset data to a completely other extreme. Due to the fact that organizations scale values in order of importance, weighting can be used to modify and validate data to support certain claims while also using the Life Cycle Assessment.

Weighting is where numbers are readjusted to be able to rank significance for each variable; there are so many environmental impacts, yet weighting can help them be categorized to produce numbers that make more sense to the public. Each measurement is multiplied by a percent figure to create a representation of which value is more important. Thus the higher the percentage, the more significance and impact the variable has either in the organization or the environment.

Another tool that is frequently used is the Life Cycle Assessment (LCA). The assessment analyzes how products are manufactured, used and then disposed which includes all products, not only construction products because every type of product has either a big or small impact on the environment and that can be measured. The LCA also measures the use of waste, water and energy, and bi-products. For example, factory emissions, waste and how different types of disposal have an impact on the environment. There are four main concerns when conducting the LCA which include human health, resources, climate change and ecosystem quality; the main goal is create a format that makes the impacts equivalent to each other because it makes it easier to compare the measurements of environmental impacts. A good example is how manufacturers do not only produce and release carbon dioxide into the atmosphere, but they also produce methane and nitrous oxide. Instead of measuring each gas, LCA will measure all of the green gases at the same time because it is more useful when comparing.

To produce a corporate sustainability strategy, organizations need to evaluate how they might be currently impacting the environment either positively or negatively. Although it can be difficult to measure these impacts due to incomplete data and the creation of grey areas due to opinion-based significance, there are measurements organizations can use. Weighting can help represent values ranked by significance based off of data to stakeholders. While LCA can evaluate the impacts of materials being produced, used and disposed which can be helpful in comparisons.

**Economic Measurement Systems**

Impact measurement systems are designed to provide information to stakeholders, so they know how a company is operating. One of the most critical items for stakeholders is how economic measures are being tracked. Having already reviewed social and environmental systems, economic measurements deal with money and how impacts can affect the sales and wealth of a company (Weisbrod, 1997). When viewing systems each company determines the priorities for its systems. The consensus is the systems identify ways to benefit the company, consumers and externalities, in order of precedence. However, as society evolves economic measurement systems also have evolved and have started to identify new ways to measure economic growth.

Economic measurements can be binned into four main areas; increase the productivity of an organization, support innovation, possible reduction in costs, and broaden the group of beneficiaries (Lambert, 2010). An organization can increase production by finding ways to make their products faster or interchangeable, which increases the economic impact. Innovation can help an organization find ways to make products better or identify new products that can significantly increase the sales of the company. One of the most beneficial areas to reduce costs are transaction costs, which can be lowered or eliminated as a company identifies possible ways to implement cost-cutting factors. Economic measurements can sometimes identify ways to not only benefit the organization, but even help their customers when they can cut costs, but still make profits.

As the world’s economy changes, more rules are developed by different organizations in an attempt to quell the lack of confidence from some consumers. An organization like G20 and the UN are just a few organizations looking for ways to implement new ways to measure economic growth. One new way to measure economic progress is called the inclusive development index (IDI). What is impressive with this system is that it is a country's economic measurement that instead of seeing how successful the organization is, it instead values the household’s standard of living (Samans, 2018). This measurement shows a paradigm shift from focusing solely on organization to how a country's economic measurement can impact society.

**Legal Factors**

The process of measuring and understanding how much change has occurred and the impact a corporation has affected the environmental economic and social dimension is what is known as the impact measurement process. To achieve integrity, a proficient impact statement isregenerated, and a strategy characterized by stakeholder focus and impact-driven results is employed (Burrit, Saka 2006; Schaltegger et al., 2002). This practice is especially beneficial to profit-driven businesses and mission inspired organizations, impact investors, and a similar category of business-minded individuals and corporations. The result of services or activities generously provided by the development sector organizations, which are usually positive and long term for communities and individuals, thus, defined as social impact measurement, the definitions’ basis is on the understanding of Heather Rideout (Maas &Liket, 2016).

            These are the legal implications that associate with the impact measurement system. There is an insistent factor of privacy. Legal laws affect the privacy of individuals within the system. During impact measurement, the rights of the public or private entities are infringed to conclusively determine what sort of changes need to be made to improve the standing of the society. Therefore, it, in turn, provokes legal ramifications for the parties involved despite the goodwill intended in the first place.

 Practical Implications is another factor. Organizations tend to get involved in legal actions that are liable to their performance. There has to be a proper chain of command when it comes to impact measurement. While the managers get insight into characteristics that are desirable and organizational factors to concentrate their focus on to ensure proper beneficial change, the chain of custody may be a little blurred. It is never a good thing for corporations because it means the legal liability lies squarely on the organization (Tung, Baird, & Schoch, 2011)

Survey versus the result collection. Here, the subjects involved are studied and observed for proper results analysis. In retrospect, this can get tricky when the two do not match, and a complete workup is to be done from scratch. The legalities of this process can be exhausting, not to mention risky in all manner of proportions because it may affect the outcome of the process negatively.

The level of impact legally affects the impact measurement. A team deductively measures the depth of impact that will affect society and the expected outcome. The next stage, like most strategies, is planning. Planning takes away the blind factor and eliminates any probabilities of a lack of resources. Planning is crucial because it gives a base to the operational process. Then there's the monitoring stage whose main objective is to improve the program. The level provides the outcomes of the observations, and adjustments effected in the running of the program for better results, increasing the probability of success.

The evaluation also causes a legal implication. It shows the correctly done results and describes the process and outcome of the whole impact measurement system. It is majorly done to prove the social value of the process. Thus, it evaluates societal gain. The impact has finally reported claiming responsibility and the success of the entire program. In other terms, this is the end - product stage. After this stage, the legal factors have all been accounted for, and the effects are seen on the masses with positive results (Mishra, 2018).

**Benefits**

A sustainability measuring system is a framework that is developed to help in the integration of social, economic, environmental, and cultural aspects of corporate management and corporate social responsibility. Companies in the world today are increasingly undertaking corporate governance initiatives to ensure that their businesses and operations are sustainable while at the same time protecting the environment. There are different types of sustainability measuring systems that are available today. They include economic measurement systems, environmental measurement systems, and social measurement systems. Each of these systems has a specified role that it is supposed to assess or gauge in regards with sustainability. There are several benefits that are associated with sustainability measuring systems. Some of these benefits are discussed below with examples from the different types of sustainability measuring systems.

One of the major benefits is that such measuring helps track the progress that is being made by companies or societies. Measuring sustainability is critical since it identifies what progress is being made (Bell, & Morse, 2015). In doing so, it also identifies points where corrective action is needed. Such corrective action may identify issues that may lead to unsustainable business practices within an organization. Such practices can have huge negative impacts on the business and this could affect the success of the company. Tracking progress also ensures that all the stakeholders are involved. An example is an environmental sustainability system. Such a system may allow a business to understand what practices protect the environment and which ones do not contribute to this goal. Through such tracking of the progress corrective action can be adopted and this can help in the realization of the set goals and targets.

The second major benefit of having such systems in place is that they encourage active participation of some of the stakeholders who are involved in the sustainability goal. In any initiative that is created to bring about sustainability, there are many stakeholders who are involved. Involvement of stakeholders is one of the determining factors that can determine whether sustainability is achieved. An example of such participation is in a cultural or social sustainability measurement system. In such a system, the sustainability initiative must involve the society, government, and customers. When members of society are involved, there is a greater likelihood that more people would contribute their ideas and opinions to the project that is being undertaken. Such involvement can only happen if there is participation through such a sustainability measurement system. As a result, these systems help people to be more involved in achieving sustainability across all societal levels.

Another benefit is that such a system helps in addressing various barriers that can be observed along the way. Barriers and challenges are often observed in every sustainability initiative that is undertaken (Phillis, &Kouikoglou, 2016). These systems can also be used to easily anticipate any new requirements that are required for the sustainability initiatives. These new requirements mean that significant changes need to be made by an organization to achieve the sustainability goals that have been set. If new requirements are not properly addressed, there is a great likelihood that the goals of the project cannot be met. These systems also help the project managers to communicate the goals and benefits that are associated with sustainability initiatives. Doing this helps the stakeholders to remain focused while at the same time offering perfect information about the project progress.

**Conclusion**

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