

Original Link: <https://www.quadpack.com/assets/14077562/impact-metrics-putting-purpose-into-practice/>

Impact metrics: putting purpose into practice

Professor Lisa Hehenberger at the Esade Center for Social Impact explains how social and environmental impact can be measured and managed

Purpose-driven businesses consider their impact on multiple stakeholders, from shareholders and staff, to communities and the environment. To be truly effective, that purpose must be managed as much as the business itself. The Esade Center for Social Impact is an academic think tank conducting research into impact measurement and management. Its director, Professor Lisa Hehenberger, shares some valuable insights.

ESG (environmental, social and governance) policies are widely adopted. Are ESG and impact the same?

No, they are two sides of the same coin. ESG is more about internal processes, ensuring compliance with regulations and standards. It's more of a box-ticking exercise, such as reducing CO2 emissions, implementing DE&I (diversity, equity and inclusion) plans and, on a very basic level, respecting human rights – basically, how you operate your company. ESG is a risk-mitigation and value-creation strategy, designed to have a good effect on your bottom line, either immediately or more likely over time.

Impact, however, goes beyond internal processes to consider how your activities are affecting various stakeholder groups, internal or external, measured from their perspective. For example, environmental impact goes beyond reducing CO2 emissions to look at biodiversity around your factory. In social terms, the beauty industry might look at the effect of its activity on society, for example, in terms of consumer confidence.

Environmental impact seems to be better understood than social impact. Why is that?

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There is a better understanding of environmental impact, particularly regarding climate change. There is a common unit “CO2 emissions” which makes it relatively easy to measure. It does oversimplify the idea, because there are many other areas which are harder to measure, like biodiversity. With social impact, however, there is no common unit. It all depends on the relevant stakeholder groups. You need to interact with them, which is not possible with the environment, as it’s not a person

So how do you measure impact?

You need to define ahead of time what to measure and then establish a formal system for collecting and analysing the data. Performance indicators should track outcomes, not just inputs or outputs, looking at both existing practices and new initiatives, and collecting data on their results. It can be a challenge to get that data. It requires engagement with external stakeholders who don’t really owe you anything. You need to somehow get them to provide you with data, not just once, but over time, so you can study the evolution of your impact. Surveys can be effective, as long as they are conducted by disinterested parties. It must be valid, rigorous and neutral, treated as a scientific exercise with control groups.

Is there a one-size-fits-all methodology for impact measurement?

The basic framework is the “theory of change”, which outlines how specific interventions are expected to lead to change in a certain area. The performance indicators depend on what you are measuring. There are ready-made libraries of indicators, such as IRIS+ and the indicators related to the SDGs, but they will always need some customisation to reflect a company’s particular activity.

Some metrics are harder than others to build into the business plan. How do you measure confidence or body positivity, for example? Impact needs to be broken down into things that can be measured, perhaps the diminishing prevalence of eating disorders among young adults in a certain region. The problem is attribution: can the effect be attributable to the activity of the company? Surveys can establish causal links. For example, a survey on a beauty brand’s social media posts using relatable models could ask questions like, “Did you feel more positive about yourself after watching this post?”

Once you have that data, what do you do with it?

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Impact data should be integrated into the company's management systems, to help execute its purpose. Otherwise, you're just adding another layer of bureaucracy. Reporting has reputational benefits, but it is not just about saying how good you are. It is about understanding what works and what doesn't work and learning from that, to reshape strategy and make decisions based on the data. That is why I have recently been working on the governance of impact – how impact is integrated in decision-making bodies. I have done that mainly for foundations and impact funds, but it would be an important topic for corporates who are serious about impact.

What about the impact of beauty packaging?

In the beauty industry, there's a sort of magic about the product. It makes you look better, but you want the product to look good, too. At the same time, you don't want it to harm the environment with excessive packaging and lack of recycling opportunities. There are lots of underlying issues, like beliefs about the most effective ways of reducing impact. Who is responsible for education? How much do customers care? Packaging companies are not in direct contact with consumers, beauty brands are. They want the best packaging possible in terms of processes, but is it worth the effort, financially? If brands decide it's important, the answer is yes and certifications like B Corp help by having a signalling effect. They make a company more legitimate in the whole impact conversation. They save time and money, too, with due diligence already done.

How far have we got with impact measurement?

I think the corporate world still has a long way to go before impact measurement becomes standard practice. ESG is quite established already, but measuring impact on stakeholder groups is quite new. Standards are beginning to take shape that incorporate social and environmental factors, like the Impact Economy Foundation's impact-weighted accounts framework. Impact data should be at least as prominent as financial data in dashboards and scorecards that inform decision-making. This should include the positive as well as the negative, to allow for learning and correction.

How does the beauty industry tackle the issues of responsibility?

A lot of the work around impact is about advocacy and awareness building and this has to be included in the investment. There are bottlenecks to achieving impact results, that can extend beyond your influence. Sometimes, you have to collaborate with competitors. That's why some companies create foundations, which are less restricted and can work towards long-term transition

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goals.

About Esade Center for Social Impact

The Esade Center for Social Impact (ECSI) is an academic think tank that works toward a world where people and organisations better understand and solve complex global challenges. It develops research with rigour, reach and relevance for and about social impact. Its research topics include impact measurement and management, impact investing, impact entrepreneurship and gender lens investing. ECSI is housed within the Esade Business School in Barcelona, Spain.

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About Quadpack Industries SA

Quadpack Industries is an international manufacturer and a provider of enhanced packaging solutions for beauty brand owners and contract fillers. With offices and production facilities in Europe, North America, and the Asia Pacific region and a strategic network of manufacturing partners, Quadpack develops bespoke and customised packs for prestige, masstige and mass market customers. For more information, please visit www.quadpack.com.

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