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A critical evaluation of social impact assessment methodologies and a call to measure economic and social impact holistically through the external rate of return platform



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Abstract

Companies, investors, international organisations and non-governmental organisations have designed frameworks and tools for measuring the social impact of business. In this report we evaluate the landscape of existing social impact assessment methods. We first delineate the characteristics, context and development of leading methodologies. We then critically evaluate the strengths and weaknesses of today's leading social impact assessment methodologies. We identify the strengths of existing approaches to be their increasing usability, inclusiveness and ability to demonstrate – and enhance – value; weaknesses are their resource-intensive nature, subjectivity, narrow focus on social outcomes, insufficient transparency, and inaccessibility. In light of the strengths and weaknesses of existing methods, we close the report with a call for a new platform. Building upon the advances of existing methods, we propose the creation of a platform wherein companies, investors and third-parties can comprehensively and transparently report their activities across a range of parameters: (i) Company; (ii) Suppliers; (iii) Customers; (iv) Society; and (v) Environment. Through the radical

transparency of the platform, which we call the “External Rate of Return” (ERR) a wide range of users will be able to measure and compare the economic and social impact of all types of business ventures in a holistic and consistent manner. Furthermore, through the ERR platform companies and the public at large can engage in on-going dialogues about the overall impact of business. We close our paper with a call for action as follows: we ask readers of the report to contact us to suggest indicators and metrics to be included in such a comprehensive impact assessment platform. Also, contact us if you would like to help build the platform.

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