

WHAT COUNTS

Impact Measurement with Head, Heart, Body, and Soul

By Bonnie Foley-Wong

Introduction

Let me tell you two stories about two different reactions I received when I shared evidence of emotions drive decisions. I was at an event about getting more women on public company Boards. I introduced myself as a manager of impact venture funds and noted that what I really do is help investors and entrepreneurs make more compassionate decisions with money. In my first book, *Integrated Investing*, I shared tools and techniques for integrating analysis, emotion, body and intuition into investment decisions. In conversation with one of the other event attendees, I mentioned that I was working on a second book on impact measurement except there was a twist. Measurement can involve words. Stories move people to action. Emotions drive decisions. Impact measurement isn't just about numbers. Her eyes lit up and she was intrigued. She thanked me and said that impact investing needs this.

Contrast that enthusiastic and positive reaction with the following. I was about to speak as part of a training program for new impact investors and experienced investors that wanted to learn more about incorporating an impact lens into their strategy. I had a copy of *Numbers and Nerves* by Paul Slovic and Scott Slovic with me. As we gathered some food before the talks commenced, I struck up a conversation with one of the investors at the event and introduced to him the research that said emotions drive decisions. I told him about Antonio Damasio's research and gave him the example of Elliott, one of Damasio's neurology patients. Elliott had sustained damaged to the part of his brain that controlled decisions. He was able to apply logic in analyzing choices he faced, but his ability to experience emotions meant he couldn't make decisions. It ruined his life. The investor resisted and said his investment decisions are entirely rational. He could understand how emotions show up in buying decisions, but never in investment decisions. I insisted that based on Damasio's research, emotions drove every decision and that there is data to prove it. His facial expression got colder. His body language stiffened, as if an invisible wall was suddenly erected. Not only was he resisting my words, what I said appeared to shake the very foundation of his understanding of how finance worked. In spite of scientific evidence, how someone feels about emotions driving decisions impacts their decision to accept that evidence or not. The conversation ended awkwardly and I took my seat on the investor panel at the front of the room.

Impact Investing Needs This

The impact investing industry as a whole is under a watchful eye. Skeptics want to know whether impact investing really does generate the positive impact its proponents claim it does. Aspirants want a way of evaluating opportunities so that they can decide whether to move their investment portfolio towards impact investments, how much and how quickly. Impact investment incumbents want to prove themselves and grow the field.

Impact investing is an exciting and confusing playground where philanthropists, non-profit organizations, governments, for-profit business people, and investment professionals all play a part and each have an opinion. When I first entered the impact investment industry, non-profit professionals adept at story-telling were encouraged to adopt more data-driven approaches to prove their impact. Marketing and communications firms representing them understood the power of narrative combined with numbers. The bankers and private equity investors called for more measurement and more data.

However, I've heard contradicting views about impact measurement from investors and from advisors who serve them. Some leaders have called for standardized models of impact measurement. Others have admitted to impact metrics not influencing investor decisions after all. In those situations, impact investment decisions were driven by personal preferences or motivations of the specific individual or organization. Impact is personal so they say. I am writing this book to clarify how and when impact measurement can support decision-making, as well as where numbers and data fall short. This book aims to broaden perspectives on what constitutes measurement and information, so that we can engage all of our mind in making more compassionate decisions.

If we're to consider impact measurement, to what end? If I am asked to measure impact, then what are people doing with that data? Do impact metrics actually change minds, behaviours, and actions?

Integrating emotion alongside analysis is critical for impact investing. We simply cannot make decisions exactly the same way people have been doing, falsely leaving emotions out of our decisions. I endeavour to dispel the myth that investment decisions can and must be entirely rational. I posit that by acknowledging how we feel about the options we're faced with – all the feelings including fear, hope, doubt, and joy – we can make better decisions individually and collectively, that serve more people and are less likely to leave people behind.

What Counts

If we really want meaningful impact measurement, we need to capture information from analysis, emotion, body, and intuition and integrate them. Damasio's research shows us that emotions drive decisions. Data with context can trigger an emotional response and therefore can drive a decision.

We are at risk of measuring things that do not meaningfully influence decisions and change behaviour for greater mutual benefit. More importantly, we are at risk of losing sight of why we're doing the things we're doing in the first place. If we end up with vanity metrics and we rely on them to make decisions, we're at risk of making decisions that create more problems than we're trying to solve. The aim of this book is to provide you with the knowledge, perspectives, and tools to be more wholistic in your decision-making, so that you can be equipped to integrate analysis, emotion, body, and intuition. If we can achieve that, you'll make more compassionate decisions and be able to help more people. Helping people is the greatest impact possible and in this book, we'll explore how to assess whether we are actually helping people, how to decide where our investment will have the greatest impact, and how to communicate those results. In this day and age, when we are pushing our planet and its resources to their limits, optimizing how we allocate resources is a critical challenge worth solving.

Drawing on research including Antonio Damasio's work with his neurology patients and Paul and Scott Slovic's work on psychic numbing, I'll examine how emotions drive decisions, specifically connecting findings to business and impact investing decisions. My hope is that you'll learn more about how decisions are made and help you adopt a better way of making impactful decisions.

Integrating Experiences and Ideas

I have an intimate understanding of numbers in measurement and their application in investment and financial decisions. I have an undergraduate degree in Mathematics and a graduate degree in Accounting. I have two professional designations that rely heavily on numerical measurement – Chartered Professional Accountant and Chartered Financial Analyst. My first career was as an accountant and auditor. The career that followed was as a corporate finance advisor and investment banker. Thanks particularly to my experience in investment banking during the financial crisis in 2007-08, I know how numbers have limitations and have failed us in decisions.

In 2007, shortly after the financial crisis took hold, I did a personal development program that made me realize that I had been integrating analysis, emotion, body, and intuition into my major

life decisions all along – not always consciously and certainly not consistently. And then in 2012, I thought about applying it – the integration of analysis, emotion, body, and intuition – to my work.

I've been an impact investor for 10 years. In 2014, I started an impact venture fund called Pique Fund, investing predominantly in women-led seed stage startups and am constantly asked about impact measurement – that is, how I measure the impact of Pique's investing activities. Having provided brief answers, but feeling as though I didn't have the opportunity to explore fully my thoughts and perspectives on impact measurement, what it means, the risks of tackling measurement with an incomplete approach and without heed to emotions, and what I think we really could be measuring, I finally felt the impetus to write down the ideas and insights.

This book draws from my experience in mathematics, accounting, banking, impact investing, and decision-making and uniquely combines all these experiences to deliver a useful education on impact measurement – its shortcomings, what we really need to make decisions, an analysis of emerging frameworks, and a discussion of some alternative measurement frameworks.

I am an investor and practitioner in the impact investing space and have been a finance professional for over 20 years. I am not an academic researcher. In this book I draw upon the research that others have conducted as well as my own experience and what I've observed. I draw analogies from other industries and scenarios in hopes of prompting further inquiry and research into what drives investment decisions – particularly impact investment decisions. My aim is to support the investors and entrepreneurs that are pursuing models that blend economic viability and benefits to society and the environment, so that they can make or influence the flow of capital towards endeavours with a triple bottom line.

About This Book

In Chapter 1, to quote Simon Sinek, I'll start with why – why measure impact? I'll discuss compassionate decision-making that integrates analysis, emotion, body, and intuition. The focus of Chapter 1 will turn to different decision-making scenarios. I'll distinguish between making a decision for yourself, taking steps to influence other people's decisions, and making decisions as a group as each of these scenarios have different ramifications. I'll contrast a match-making approach to pairing investment dollars with opportunities with a winner-takes-all approach to investment selection. This kind of framing – match-making versus winner-takes-all – impacts the type of information investors gather and the investment decisions they make. I'll introduce two impact principles: Impact Experience (experience, story, numbers) and Impact Sphere (business, social, qualitative, macro) to help you identify what to measure, how to measure it, and how to organize impact information.

In Chapter 2, I'll explore what we measure. I'll open the chapter with one of the biggest challenges facing proponents of impact measurement and that is the challenge of measuring hard things to measure such as intent, influence, trust, judgement, and wisdom. I'll debate what is considered meaningful impact – a single occurrence of impact or impact at scale. I'll share examples of when one data point is influential and when statistics about a large population is important or daunting. I'll discuss the implications of causation or correlation of impact levers and examine the risks associated with measuring proxies for impact.

In Chapter 3, I'll consider the questions that impact metrics might answer, which helps you stay focused on why you're measuring impact and what information to gather. Such questions include "What happened?", "Did we do what we said we were going to do?" and "How did we do?"

In Chapter 4, I'll describe the four measurement levels and highlight the non-numeric levels of measurement. I'll cover how thinking about data as a curve rather than as point can be useful and revisit best practices for determining and applying statistical analysis.

In Chapter 5, I'll move on to business metrics and address the challenge of standardization of measurement approaches. I'll discuss the concept of generally accepted principles ("GAP") and draw your attention to the gaps in GAP. I'll talk about the pros and cons of a widely used concept of GAP – Generally Accepted Accounting Principles ("GAAP") – and how GAAP could be augmented to serve the purposes of impact measurement.

A number of impact measurement frameworks have emerged and in Chapter 6, I'll summarize some of the more widely adopted approaches such as the Impact Management Project, the United Nations Sustainable Development Goals, and ratings systems such as B Corp and Global Impact Investing Rating System ("GIIRS").

In Chapter 7, I invite you to deeply consider what counts. I'll explore alternative bases of measurement including metrics we could be using right now, such as CO2e and carbon emissions, measures of wealth and income inequality, and diversity indices. Lastly, I'll look at alternatives that require significant social and economic shifts to enable adoption, such as measuring well-being and energy flows.

This book is for people who are making impact investment decisions. You may be an experienced impact investor or an aspiring one or maybe you don't call yourself an impact investor at all, but you are interested in how investing and business can help people and the planet. You might be an entrepreneur or business leader looking for ways to measure and communicate the impact you and your business are making. You could be an advisor or

consultant helping investors and entrepreneurs navigate this new path of impact measurement. Whatever the case may be, you make more investment decisions than you may realize as you forge a path into the future. Come along on this exploration with me into the world of impact measurement and find out how we can make better, more compassionate decisions.

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About the Author

Bonnie Foley-Wong is the CEO of [Pique Ventures](#), an impact investment firm investing in a diverse community of leaders building early-stage companies that care, connect, and protect. With over 20 years experience of advising and financing entrepreneurs, Bonnie has moved over \$1 billion dollars towards entrepreneurial ventures in Europe and North America.

Bonnie is the author of [Integrated Investing: Impact Investing with Head, Heart, Body, and Soul](#) and has been published in Business Insider, Next Billion, Time, Inc., Forbes, Huffington Post, Apple News, Green Money Journal, and National Observer. Bonnie is passionate about developing the next generation of entrepreneurs and finance professionals and often gives her time as a mentor. Bonnie serves on the Board of the Women's Enterprise Centre of BC. She is the recipient of a Startup Canada Entrepreneur Promotion Award and a YWCA Women of Distinction Award for Entrepreneurship & Innovation.

Bonnie is a CPA (Ontario), CA, and CFA charterholder. She has a Bachelor of Mathematics and Master of Accounting from the University of Waterloo. Bonnie also qualified as an alpine ski instructor and puts her decision-making and negotiation skills to use with her husband and two children.