

Different perspectives on impact

David Zetland

Leiden University College

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Overview

Intro: Three types of impact (profit planet people)

Economics: Micro, macro and missing

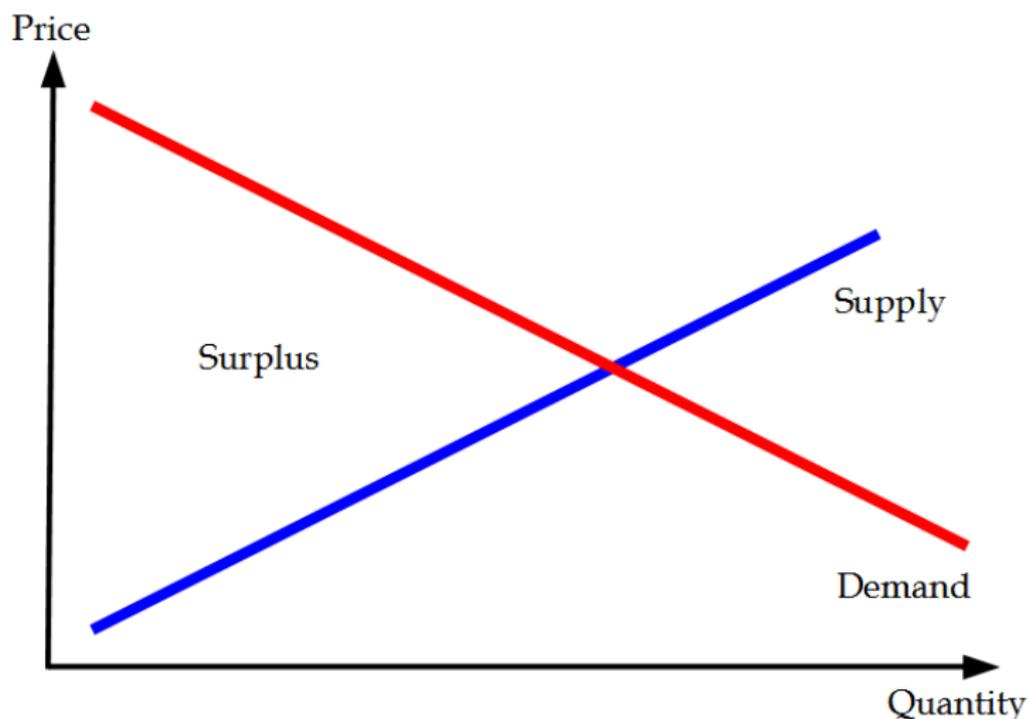
Environment: Externalities and discount rates

Society: Your relations with vendors, customers, competition and government

Exercise: What are your impacts now? What happens if you get big? How do you plan for — and present — this?

Discussion: From threat to opportunity

Economics: surplus!

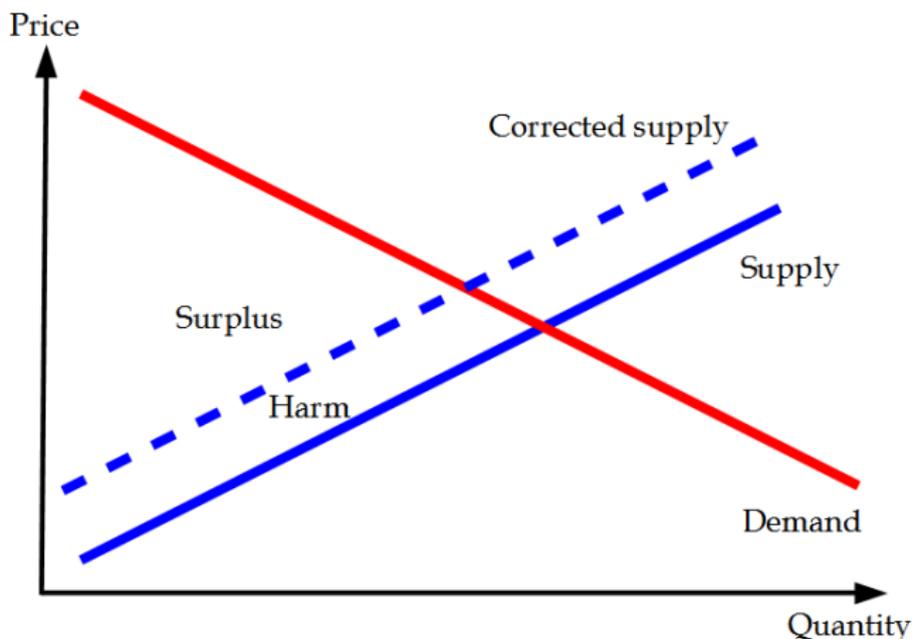


Demand represents value. Supply represents *cash* cost of time, materials and technology

Translating surplus into local impact

- ▶ The surplus represents the profits to the firm and utility (happiness) of the customers
- ▶ Entrepreneurs create surplus by taking market share from others (competition) or creating a new market (Schumpeterian monopoly)
- ▶ The most common means is delivering higher quality and/or lower cost
- ▶ Measurement of surplus is hard
- ▶ Measurement of relative improvement is easier, e.g., has crime fallen, spending on lunch fallen, etc.

But ... negative externalities



“Non-pecuniary” harms fall on workers (e.g., stress), environment (e.g., pollution), community (e.g., addiction)

Pecuniary impacts (e.g., AH vs small store) are “just business”

Here and now, there and then

Problems arise when surplus and harm are not concurrent, i.e.,

- ▶ Some get benefits, others costs (e.g., disposable packaging)
- ▶ Present benefits but future costs (climate change)
- ▶ People disagree on discount rates, e.g., spend \$100 today for \$120 in ten years? \$200?
- ▶ Perceptions change with age, i.e., 20 years vs 60 years old
- ▶ One man's risk is another's foolishness (entrepreneur v firm)
- ▶ Quantified risk vs subjective uncertainty

Beyond markets. . .

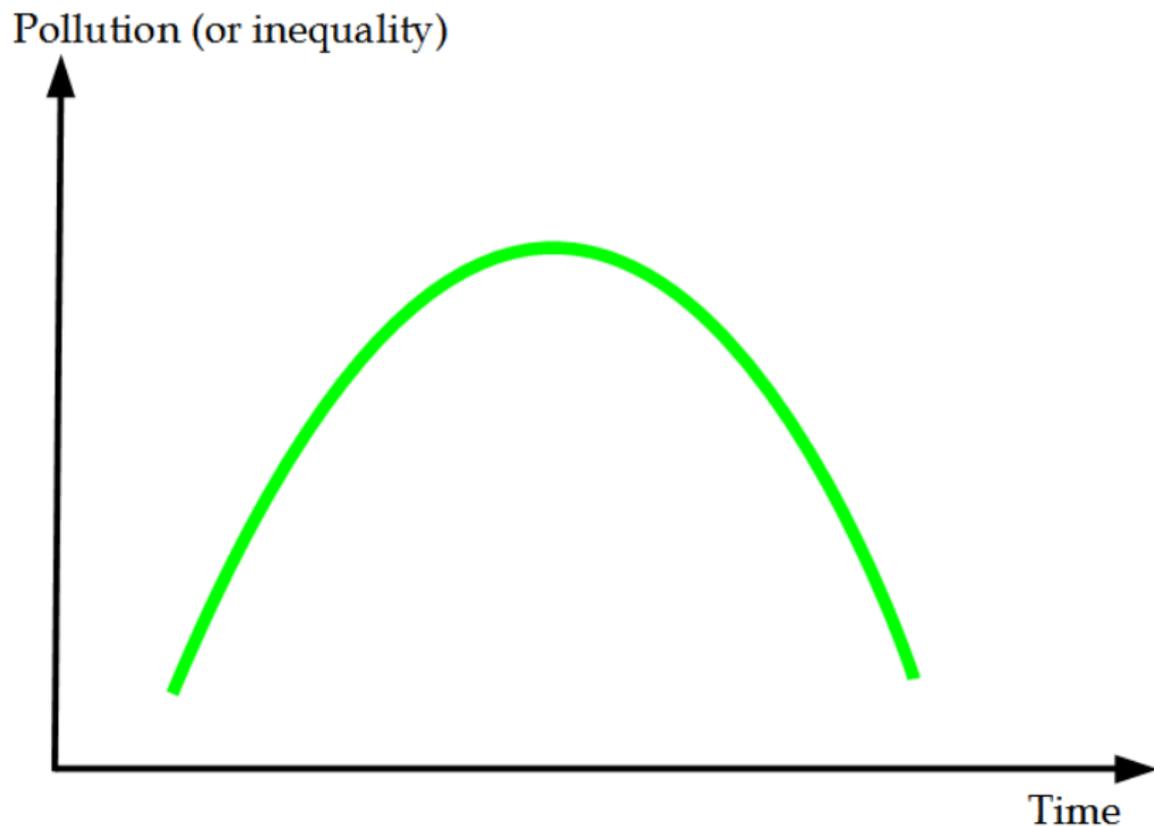
Markets: Useful for commodities (private goods or services)

Non-markets: Useful for sharing (collective and public goods)

Missing markets: Usually a source of problems (e.g., pollution) or controversy (e.g., organs)

- ▶ Economics for markets, politics for non-markets
- ▶ Political (social) opposition can shut down a market (or your good idea!), even before considering corruption.
- ▶ Thus, you need to think about your impacts!

Changing acceptance of impacts (Kuznets Curve)



Macro measures of progress

GDP: Measure of goods and services produced in a country.

Flaws:

- ▶ Measures flows, not stocks (e.g., natural or human capital)
- ▶ Cash value only (eat at home vs restaurant)
- ▶ Nothing on non-market values (e.g., love).

IHDI: (Inequality-adjusted) Human Development Index includes education and health (See Hans Rosling TED talk).

GPI: Genuine and Social Progress Indicators. Too many factors? Hard to measure? See Costanza paper

GNH: Gross National Happiness is propaganda (how to measure? happy normalizes)

US/NL are 10/14 on PPP-adjusted GDP/capita (Qatar is #1)

US/NL are 28/3 on IHDI (Norway is #1; GCC countries do not report Gini)

Macro? What is it good for?

- ▶ *Nobody* uses these indicators to make personal decisions. They are mostly for bragging, conversation or panic.
- ▶ GDP is a problematic when politicians decide they **MUST** have growth (e.g., China building empty cities or France exporting weapons to Russia)
- ▶ GDP alternatives are aimed at changing political conversations, priorities and policies.
- ▶ They have no direct impact on most of us, but they do reflect impacts that you must consider
- ▶ FYI, my preference is a IHDI (flows) combined with human/natural capital index (stocks)

From Macro to “impact organizations”

... from profit-oriented to community-oriented

Crony: Uses political power to increase profits, avoid laws, harm society

Corporation: Maximizes profits for owners, given laws and regulations

B-Corp: “Responsible” but confused profits, e.g., TOMS shoes¹

Government: Operates in non-markets for “public” (popular) interests

Non-profit: Maximizes surplus to customers, staff and community

¹TOMS probably wastes money to harm communities (e.g., shoemakers or used shoes)

Back to YOU and your impact

You have impacts all the time

- ▶ Economic impacts when you spend or earn money
- ▶ Social impacts when you interact with others
- ▶ Environmental impacts from consumption

It is very hard to measure or monitor your impacts, but you might try to minimize negative impacts, e.g., buy “sustainable” goods (NB: “green soap”), apologize to someone you may have upset (“manners”) or put your rubbish in the bin.

OTOH, you cannot know the entire supply chain, pay the “right” price (to the right person) or “feel” everything other people feel

My definition: “Social progress” means reducing non-pecuniary impacts (aligning costs and benefits) and compensating for pecuniary impacts (unemployment, sickness, etc.)

Why does this matter?

Your team's "social license to operate" depends more on your (perceived) impacts than on your surplus.

Example: Uber is...

- ▶ ... creating massive benefits for riders but harming taxis (negative pecuniary externality).
- ▶ ... vulnerable to a perception that their drivers are dangerous or uninsured (uncertainty over negative externality) as well as a (wrong) belief that those drivers are being exploited b/c they are not employees (poor accounting for costs).
- ▶ ... using lawyers instead of addressing these criticisms head-on. Unwise.

The fastest path to success is creating surplus for customers (in-group) while minimizing (perceived/real) damage to others (out-group)

Exercise

1. Discuss the following within your teams (15 min). Explore your positive/negative, money/non-money impacts from economic/social/environmental perspective (next page).
 - Value:** What direct surplus are you creating for customers?
 - Pecuniary:** Who will you help (vendor inputs); who will you harm (competition)
 - Non-pecuniary:** What kinds of harms might result from your product at small scale (your team now) or large scale (100x “production”)
2. Teams give feedback from discussion (see next page) in their groups (5 min each). Explain the most important positive and negative impacts (“your adjusted value proposition”) to the group — and how you plan to communicate and minimize those impacts.
3. Groups give “best” feedback to the class for discussion (20 min)

What are your impacts?

Impacts	Monetary		Non-monetary	
	+	-	+	-
Economic				
Environmental				
Social				