

Managing Social and Environmental Impact:

A New Discipline for a New Economy

SARA OLSEN
Partners

BRETT GALIMIDI
Social Venture Technology Group

THE GLOBAL CAPITAL MARKETS, BUSINESS sector, and nonprofit world are awakening from a fantasy. The fantasy was that we could solve poverty, consume natural resources limitlessly, and live extraordinarily well without actually holding ourselves accountable for creating the value that would underpin these accomplishments. Since it is not possible to consume without replenishing the sources of our consumption, we find ourselves in a crisis which claws at the foundation of global philanthropy.

The global economic system we have designed appears to drive an ever-fattening wedge between the assets that underpin our ability to consume and our consumption. To find our way out of the current economic and philanthropic crisis, we must recognize that social entrepreneurship—and evolution of the accounting and management systems that govern it—is central to the solution.

1

DEFINING SOCIAL ENTREPRENEURSHIP

The roots of our current global economic crisis lie in the separation that has opened up between the creation of assets and their consumption. The problem goes far beyond the assets that underlie U.S.-based mortgage-backed securities and the valuation of those securities. We have forgotten not only to consider those financial assets, but also the non-financial assets upon and through which those assets are literally built and sustained: natural resources and a healthy, educated population which is emotionally and economically secure.

SARA OLSEN and BRETT GALIMIDI are partners in Social Venture Technology Group, which has been a pioneer in the field of social and environmental impact analysis for investors, philanthropists and managers since 2001. They would like to thank their colleague, Amie Vaccaro for her research contributions to this article.

Copyright © 2009 by the *Brown Journal of World Affairs*

SPRING/SUMMER 2009 • VOLUME XV, ISSUE II

Social entrepreneurship is not just business with benevolent intent or charity with a product for sale on the side. Rather, it is evolving into an entirely new hybrid business model that explicitly pursues the creation of “non-financial” assets: human well-being and environmental sustainability. As such, this hybrid business model combines conventional business management practices and market discipline with real accountability for social and environmental outcomes. These outcomes include the effects the business has on more than just shareholders—the significant effects on customers, employees, suppliers, communities, the taxpayer, and natural resources are considered material as well.

Social entrepreneurial leadership is playing out not only in the context of new ventures, but also within existing companies (intrapreneurship). For example, a multinational retail corporation that was previously managed with metrics designed to inform its shareholders’ financial interests might shift to what at first appears to be a more old-fashioned style of business, one in which the quality of the relationship between employees and customers is seen as the central driver of value. The new management metrics would encompass not only the degree to and efficiency with which the company’s practices produce wealth for the bank’s shareholders, but also systematically track the core driver of this wealth: the trust on both sides of the company’s relationship with its customers. Metrics of well-being for customers would also become central.

2

Also, since shareholders as well as customers and employees all have a stake in climate change and in the continuing availability of fresh air, water, and other natural resources, the company would measure, manage, and communicate its net natural resource consumption and carbon footprint. This reorientation and design of management metrics around the core sources of value applies not only to companies run by social entrepreneurs, but also their investors, nonprofit organizations, and their funders.

The new management focus on and accountability for the health of core assets that include social, environmental, and financial assets amounts to a new management discipline, one that has profound implications for the management of philanthropies, businesses, and the economy as a whole.

FROM INDUSTRIALISTS TO ENLIGHTENED INDUSTRIALISTS

Around the time of the industrial revolution, our relationship with nature changed significantly. Previously, we had maintained, whether by choice or design, a symbiotic relationship with nature. With the revolution, we shifted to a unidirectional model. We would consume nature’s resources quickly and in large quantities without thinking about their replenishment. The biggest industries were extractive (oil and mining, raw inputs for building materials), agriculture (raw inputs for textiles, food), manufactur-

Managing Social and Environmental Impact: A New Discipline for a New Economy

ing (converting inputs into outputs), and their transport (shipping, railroads, and the infrastructure that supported them). People left the land on which they had lived, and businesses flocked away from the local communities where they had operated.

While the disconnect between the source of natural and human resources and the mechanisms of their consumption was opening up with industrialization, entrepreneurs continued to develop profitable products that addressed human needs. Entrepreneurs have sought to develop solutions that both solve a human need and can be sustained and grown through profitable sales since the beginning of commerce, though the term “entrepreneur” was only coined in the 1800s.¹ Indeed, one might say that all entrepreneurial innovations have the solution of a human problem at heart (consider electricity, the steam engine, and the wheel). Some noteworthy innovations whose dates might seem surprising include the first electric car (in 1830s Scotland) and the first commercial solar water heater (patented by Clarence Kemp in 1891). At the time, however, these innovations were not created for environmental purposes (climate change was not top of mind) but simply as logical solutions to a human need at hand.

It is only more recently that social objectives have been contemplated as explicit and distinct goals of entrepreneurship. Today, the car is a mode of transportation as well as a potential solution to a social and environmental need if designed with energy-saving technology (like the hybrid) or if constructed to use a renewable power source (like the solar-electric car). Lending money, another example, is a very old invention; however, microcredit (the lending of small amounts to the poor), with its explicit capacity and trust-building principles, has roots in Ireland and the United States in the 1800s and 1900s. It really took off in the late 1900s, thanks to Bangladesh’s Grameen Bank and its Nobel prize winning leader Mohammed Yunus. It now serves millions and is celebrated by economists and politicians alike. Almost in parallel, a generation ago, community development financial institutions in Europe and the US, like Chicago’s Shorebank, saw an opportunity in areas where marginalized populations were redlined out of the credit markets—and thus subject to economic hardships and excluded from wealth generating activities. The bank, which viewed community residents not as stereotypes but as individuals, began lending to them in 1972 and reinvesting the capital into the same neighborhoods they served. Borrowers paid back the loans on time, even outperforming the repayment rates seen by conventional banks. Shorebank and similar banks made profits by enabling people to start and grow small businesses, which created jobs, funded college educations, and buttressed retirement savings. Shorebank Co-founder Ron Grzywinski described this as “the new old-fashioned banking.”²

Beyond product and company innovations, whole markets can also be harnessed to solve human problems. Other innovators began to devise a novel mechanism—one that would pay companies to reduce pollution. This rested on finding a way to measure

its absence. Spurred by a combination of industry and grassroots activism, government agencies and policy makers worked together to establish a verification protocol by which the absence of air pollutants could be ascertained, to cap the amount of these pollutants that some industries could emit, and to create rules to allow companies to trade credits for non-emitted pollution. When “cap and trade” became law with Title IV of the U.S. 1990 Clean Air Act, it created a motivation for companies to figure out the most efficient ways to clean up their particular operations. Two years later, 172 governments converged in Rio de Janeiro to create the United Nations Framework Convention on Climate Change (UNFCCC), a non-binding treaty designed to stabilize greenhouse gas concentrations in the atmosphere. This led to the Kyoto Protocol, initially adopted in 1997 and officially launched in 2005, which brought carbon emissions trading to a global scale.

4 Probably, *voluntary* emission credit markets arose—that is, markets where companies and others who are not legally required to limit their emissions can buy credits produced by parties whose emission reductions do not meet stringent regulatory standards. This showed that there was actually a market for “good,” above and beyond any legal obligation or direct financial cost-benefit analysis. Nonprofit organizations whose reforestation and other work captured carbon from the atmosphere began to measure and offer tons of carbon emission reductions to willing buyers. Two of these, Grupo Ecologico Sierra Gorda and Bosque Sustentable in Mexico, sold their first carbon offsets to the United Nations Foundation (after struggling in vain from 1998 to 2004 to find a way to enter the regulated carbon market created by the Kyoto Protocol). In 2007, Salesforce.com, which provides a business applications technology platform, had no regulatory incentive to do so but purchased enough carbon to offset all emissions it produced from energy consumption and travel. Its rationale was that the best employees considered it the right thing to do, so to recruit and retain them, it went carbon neutral.

THE WEDGE BETWEEN ASSET CREATION AND CONSUMPTION

By the start of the 21st century—despite the surging Gross World Product, apparent success of the S&P, and billions spent on philanthropy, aid, and development—there was a widening gap between the lifespans, incomes, and lifestyles of the haves and the have-nots; a reaching of “peak oil”; an acceleration in the death of species not seen since the last great mass extinction of the Cretaceous-Paleogene transition some 65 million years ago; shifts in the arrival dates of spring and winter; fatal increases in the intensity and duration of storms, droughts, floods and fires; and a costly and destabilizing rise in extremism in the name of preventing unwelcome change. Amidst the heightening

Managing Social and Environmental Impact: A New Discipline for a New Economy

uncertainties and complexities of world affairs, demand burgeoned for data-driven analysis to make sense of various social, political, economic, and environmental trends. New scientific insight into cause and effect and the global internet had dramatically accelerated the pace at which people connected the dots between our actions and their consequences. In fact, the most successful social entrepreneurs began to display concrete measures of their organizations' social and environmental impacts—in addition to traditional financial performance metrics—to satiate such investor demands.

The global financial crisis serves as an apt case study highlighting the need for more holistic measurement of impact. The system that created the wedge between the creation and consumption of environmental and human resources had also created a very large wedge between the creation and consumption of financial resources. In 2008, the wedge caused that critical link, already frayed, to snap completely. Share prices are not an accurate reflection of the value companies bring to, and take from, the world, when the real assets on which companies' fortunes are based are not accurately counted. Not only are the true environmental and human impacts missing, but even the true *financial* assets and liabilities have been hidden, due to the rise of trillions of dollars in unregulated derivatives. These derivatives had been "externalized" from the balance sheets of corporations because they were outside of the regulatory frameworks that might have forced transparency and enabled accurate assessment and valuation of risk.

This is new territory. Usually externalities, as they are termed by economists, are defined as positive and negative effects of an economic transaction on parties who are not directly involved in the transaction, like the benefit to the neighborhood businesses when a new business moves in and hires residents, or the detriment to neighbors of pollution emitted by a factory. In the current economic crisis, parties directly involved in transactions experienced externalities because they simply *did not understand*—and did not have the information to understand—the risks and returns of what they were actually trading.

There is market value, and there is underlying asset value. Due to the flaws in the design of our accounting principles and the capital markets, a yawning gulf has opened up between the market prices of products and companies and the value underlying those prices once externalities are considered. Greater segments of the public are realizing that the market is no longer an accurate reflection of value—indeed, it has never yet been.

Value is derived from multiple sources, not just a stock price. And while a stock price should reflect value, it does not do so fully. A major reason is that the tools and systems that govern the markets today are simply missing information about three

The global financial crisis serves as an apt case study highlighting the need for more holistic measurement of impact.

things: the net environmental impact of company operations and revenues; the social impact and equity of company operations and revenues; and the sustainability of all three kinds of returns: social, environmental and financial.

Our regulatory, accounting, and management systems all fail today to measure the net consumption of natural resources required for any business, nonprofit or government entity to operate. Further, particularly given the international supply chain, these systems deliver inadequate information about the impact on safety, health, economic

To account for preserving and bolstering the human and environmental assets that run the globe, a paradigm shift is required.

security, and dignity for customers, employees, contractors, suppliers, and others touched by company operations and products. The mechanisms we entrust to tell us what risks companies face

to their continued survival have failed on the basis of their ability to judge financial viability, let alone whether the global banana trade is at higher risk due to monocropping, or whether the groundwork for social stability is being nurtured by industry until it is too late (and finally surfaces in financial risk measures that tell investors to steer clear).

Amid this dysfunction, there is a strong case for mass-scale citizen action to right the ship, and the nonprofit sector remains its basic infrastructure. However, corporations and investors are the ultimate stewards of the capital that fuels nonprofit work. If companies are “mis-pricing,” ignoring, and ultimately eroding the underlying assets (an educated, healthy, productive workforce and abundant natural resources) upon which their future stability and success rely, then perhaps it is a duty of nonprofits to ensure that corporations are aware of and properly managing their core human and natural assets. Regrettably, the work nonprofits have done to account for their social and environmental value cannot today be aggregated and understood at a systemic level. Indeed, with certain sector-specific exceptions, the picture of the nonprofit world’s social and environmental value creation is fragmented and anecdotal. Nonprofits and foundations are ill-equipped to counsel business as to how to measure, manage and communicate their net environmental and social value, or the sustainability of all their assets. Again, social entrepreneurship holds the key.

6

THE GOGGLES ARE COMING OFF

The world’s leaders have convened the top economists and financial engineers to solve the global economic crisis. The flaw in this plan is that the tools the world’s top economists and financial engineers have to diagnose the problem are incapable of perceiving the actual problem in the first place, let alone fixing it. Experts are attempting to spot

Managing Social and Environmental Impact: A New Discipline for a New Economy

the rainbow while wearing infrared goggles. Top economists lack systems of accounting for social and environmental value, nor do they know how to manage businesses that grow financial, environmental, and social returns simultaneously.

Established scholarly disciplines, and the institutions and degrees that go with them, take a very long time to evolve. Since it has been only a few years since there have been a sufficient number of “social ventures” in operation, the principles and management disciplines a sustainable market-driven economy requires have only recently been possible to study. Government leaders do not yet have the experts to call.

Yet development finance, environmental management, and social marketing are becoming increasingly established fields, and there is a growing group of experienced social entrepreneurs and impact investors—whose investments are made with the expectation of financial return and also with a broadened definition of ‘return’ that includes social and environmental value—with over a decade of experience in how this is done in practice, within individual businesses, venture funds, and other investment vehicles. There are even emerging marketplaces brokering opportunities to invest in debt and equity that deliver not only financial return but quantified poverty alleviation benefits; voluntary carbon credits; and even “social return on investment” itself.

While the development of this new body of practical investment and management knowledge offers hope, the links social entrepreneurship is reestablishing between human, natural, and financial assets and their sustainable consumption is still relatively weak. However, there have been some interesting financial engineering innovations like credit guarantees and structured financial instruments that allow socially-motivated investors to bear more of the risk of a deal, thereby lowering the risk to other investors and enabling larger amounts of investment to flow toward positive-impact ventures. To further solidify the ability of managers, investors and others to assure that all assets are visible and accurately priced, new tools are imperative.

7

THE NEW TOOLS FOR MANAGING IMPACT

Based on global environmental changes and catalytic shifts in the international business environment, old-school management principles apply to the world in only a partial sense. To account for preserving and bolstering the human and environmental assets that run the globe, a paradigm shift is required. Whereas we used to ask “what is my return on investment?”, we must now ask “what is my total social, environmental, and financial return on investment?”

To answer this, we must answer several questions: What is the net environmental and social impact of the money I am investing or spending, and how sustainable is this impact in the long term? What is the state of the management practices that drive that

sustained impact and of systems of accounting for those practices and impacts? Who is accountable for the answers to these questions?

Social return on investment (SROI) analysis is a term for the process that allows us to answer the questions above. It enables an understanding of net environmental and social impact relative to investment. There are myriad tools by which managers can track financial performance for strategic decision-making to maximize profit; SROI gives managers a similar tool for measuring and optimizing positive impact. SROI is analogous to financial return on investment in that it strives to assess in a comprehensive manner the value generated relative to investment; however SROI analysis focuses on the non-financial value, and includes quantitative, qualitative, and even narrative information to capture this fuller spectrum of value. SROI is equal to:

$$\frac{\text{Net Social Impact} + \text{Net Environmental Impact}}{\text{Net Investment}}$$

This analysis uses information collected from an entity's financial, human resources and programmatic records, and combines it with primary and secondary research into the current and potential outcomes that result from a company's operations and sales. Practitioners have written a number of papers describing in more technical detail how this is done.^{3,4,5} We outline below six important components in SROI analysis and impact management.

8

SIX COMPONENTS OF IMPACT MANAGEMENT

1. OPERATIONS AND STAKEHOLDERS

First, it is important to understand the scope of operations and the parties or stakeholders affected. Where does the entity do business, where does it obtain the materials and human resources it employs, where and how are the products it sells used and disposed of, and what, if any, social or environmental impacts are significant in its work? Which parties are affected by its operations up and downstream, by its production, and by its products' presence in the marketplace?

2. SCOPE OF ANALYSIS

Because social return on investment implies a comprehensive analysis of the net impact of the entity in question, it is essential to define the boundaries of the analysis, including the time period. Will the analysis be a summary of one year or several? Will it look to past performance, or project performance in future years?

No conventions have been widely adopted regarding the timeframe over which impacts related to company operations might be assessed (for example, skills learned

Managing Social and Environmental Impact: A New Discipline for a New Economy

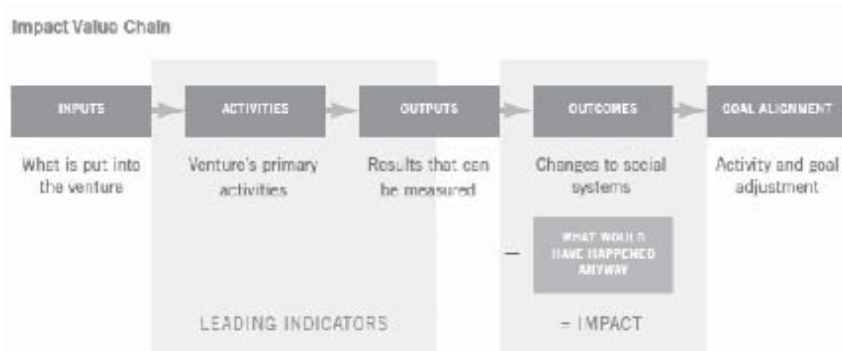
this year or emissions not released may translate into economic benefits to an employee or environmental benefits to an ecosystem in years to come), so the company must make transparent its choice of timeframe and its rationale.

3. *BASE CASE*

A base case scenario, or what would have happened in the absence of the company's operations, may be estimated by considering what would be the case if the entity operated in the same way as the industry standard (which may in some cases mean not operating). This can be qualitatively and quantitatively defined using existing experimental research done in similar circumstances, where the control state is a proxy, and/or by measuring the pre- and post-states of the company's own operations.

4. *INDICATORS AND DATA COLLECTION*

Next, the leading indicators associated with changes in key assets must be chosen, and data must be collected. To identify the priority indicators, it is useful to define the entity's "Impact Value Chain."⁶



Leading indicators of impact are the activities and outputs that are easy for the entity to track in the course of regular operations; indeed, most often, the entity is already collecting this information, though not viewing it in light of the multiple types of value it drives. Typically, these indicators include things like the number of products made or sold, distribution costs, and energy costs (which drive resources consumption and emissions). Leading indicators of social impacts, such as jobs created, salaries distributed, stages of education provided, and preventive health visits—which may not be tracked already—can be obtained via direct observation, surveys, and estimates. Understanding the environmental and social implications of these indicators requires looking at them through a different lens.

Secondary research is used to tie these leading indicators to the associated outcomes. It is this part of the research that causes many to believe that social outcomes measurement may not be practical for companies and investors, but this is false. A

company need not conduct (or hire experts to conduct) its own random experimental design studies (meaning studies with subject and control groups, and representative sample sizes), to know the impact of its products or operations. While companies may do that in some cases, it is possible to obtain a significant amount of the necessary information by proxy. The most obvious example is the estimated carbon emissions a normal person can calculate when he or she flies from Bangkok to Hyderabad. We do not have to conduct an independent study to measure the engine's efficiency or ask the airline to say how much fuel the plane burned and how many passengers and crew were aboard. We simply look up the average emissions per flight mile per passenger for domestic air travel, which has been researched extensively by many environmental scientists already.

Choices regarding what impacts are important and significant will change as new evidence is found over time. As such, the model that links leading indicators to outcomes must be periodically updated (every few years is probably sufficient in most cases).

5. ANALYSIS

Once these pieces are in place, a model is built that establishes the major impacts (the difference between what happened and the base case scenario) that are driven by the select leading indicators, and the model relates these results to financial performance. Once the model is built, the company need only enter the leading indicator data to understand its social and environmental "return on investment" and make periodic updates to the outcome data and assumptions. SROI analysis thus results in a point-in-time summary of three items beyond financial returns alone: net environmental impact relative to investment; net social impact relative to investment, and financial, social and environmental performance relative to company financial/social/environmental goals

When the analysis is performed regularly, trends become visible. SROI analysis thus organizes the management of social and environmental drivers alongside and in addition to financial drivers.

6. IMPACT MANAGEMENT

Knowing an organization's social and environmental impacts is not the same as managing them. Much like traditional performance management, impact management involves the development and maintenance of an entire system that includes clear goals, decision-making processes that cascade throughout the organization, and accountability for results. Finally, one of the most critical aspects of impact management is communication. The value of impact information as a management tool is increased exponentially if the enterprise's key stakeholders understand it.

To illustrate impact management in practice, let us return to the example of Grupo Ecologico Sierra Gorda (GESG) in central Mexico. GESG pioneered a unique co-management model with the Mexican federal government to protect and restore ecologically diverse land while cultivating economic opportunity for its 115,000 residents, whose primary livelihood was subsistence farming. When GESG was founded in the 1980s, a majority of its 11 ecosystems were in decline. Slash and burn agriculture—and migration to Mexico City and the United States—were widespread. Sierra Gorda realized that it could address both its environmental decline and need for economic development simultaneously by creating means for residents to profit directly from environmentally positive activities. Working closely with community partners, management set up microenterprises based on non-timber forest products (mango preserves, honey), other small-scale businesses (ceramics, embroidery), ecotourism, and selling carbon offsets through afforestation (planting new forests where they had not existed), and reforestation (replanting old/damaged) forests. In 2006, GESG wanted to strengthen its ability to prove and communicate the power of its model.

After a lengthy struggle to find a way to participate in the Kyoto Protocol's Clean Development Mechanism, which, though designed to enable parties in the developing world to participate, required greater resources than even relatively established players like GESG could muster. For GESG to play in the carbon market, its director, Pati Ruiz Corso, envisioned a marketable product: "gourmet" carbon offsets that the community could sell to sustain and reinforce the work. Gourmet carbon integrates not only the carbon sequestered, but also the other benefits to the ecosystem generated from the conservation work, as well as the economic benefits generated for the people working on the carbon projects and their communities.

GESG had already assessed the carbon emissions reduction of its reforestation and afforestation work to sell on the voluntary markets (its first sale was executed to the UN Foundation).⁷ The group sought to supplement this information with a system by which it could actively measure and manage on a continual basis the comprehensive ecological, economic, and social benefits associated with the carbon offsets created by its multiple community-based conservation, education, and microenterprise programs. We, at the Social Venture Technology Group (SVT), helped build this system in 2007. We compared the efficiency and effectiveness of GESG's operating model to organizations with similar goals but different structures and funding resources. Today, GESG maintains the system itself to track and verify the tangible benefits to climate, biodiversity, and local communities which justify the premium price at which it sells its gourmet carbon.

By communicating its value proposition in this exceptional way, GESG is enhancing its financial sustainability. GESG is not alone in systematically accounting for and strategically communicating its social, economic, and financial performance. E + Co is another hybrid business model, a nonprofit investment organization that places equity and debt into local, renewable energy businesses in Africa, Asia, and Latin America. It has made transparency of its environmental, social, and financial performance a core value since its founding 15 years ago. All profits are reinvested into new business investments, and the social, environmental, and financial results are carefully monitored. Among other results, as E + Co has found that every \$5.72 of direct capital investment causes one additional person to be served with modern energy. Over the duration of its current investments, approximately 17,368,845 tons of carbon equivalent will be offset, and these offsets are valued at an estimated \$86,844,223. Finally, it determined that its costs are 30% greater than a conventional venture firm to make its business model succeed. In addition to making this and other information available to the public on its site, E + Co also enables its donors to project their own impact online, by matching its accumulated historical performance information against its plans and projections.⁸

12

Even mainstream investors seeking market rate financial returns are beginning to adopt similar approaches. A number of individual investors, venture funds, and pension funds—ranging from North America to Europe, Central and Latin America, and Asia—have prioritized tracking their impact so as to prove to themselves and their peers that it is possible to both make money and generate positive impact. Some of these players formed the Global Impact Investing Network (GIIN) in 2008 to coordinate

We have all been essentially cannibalizing core human and environmental resources with little culpability.

the activities of like-minded “large-scale family offices, institu-

tional investors, pension funds, investment banks, wealth managers, impact investing funds, retail investment aggregators, and private foundations that can steer billions of dollars of capital, support collective action, set standards, and back new businesses and funds that can fill the gaps in the current impact investing ecosystem.”⁹ One of the first projects this group has undertaken is “to develop standards for assessing the social and environmental impact of investments and portfolios and catalyzing the launch of an independent standards-setting body.”


The market’s recent collapse happened because companies disregarded the economic foundations of continued growth: first, whether homeowners were financially capable of paying their mortgages, and next whether the risk of derivative securities was accurately understood and priced. Natural resources, climate change, and the well-

Managing Social and Environmental Impact: A New Discipline for a New Economy

being of people in communities are all building blocks of economic production. They have begun to insert themselves into the financial calculus with greater force, in the form of commodity price spikes, natural disasters, a lack of human capital, crime, and disease, among other factors. We have all been essentially cannibalizing core human and environmental resources with little culpability due to the system and tools we are using, which classify much of human well-being and natural capital as “externalities.” However, modern circumstances are proving that they are no longer external, and the tools are available to account for and manage them as the assets they are. Employing these tools has the potential to unlock markets, ventures, and products that will help fuel sustainable solutions to the issues we face, thereby enhancing global prosperity.

RESTORING THE CONNECTION

Now that the global economic crash has revealed the flaws in our economic system and our own practices, the possible silver lining is that we finally see how similar “unsustainable practices” are with regard to environment, society, and Wall Street. While previously we either did not recognize our negative impacts or we thought someone else would deal with our negative impacts in the future, the imbalance between sustainable assets and their consumption—which was and still remains hard to visualize from a social and environmental perspective—is now shockingly clear in the financial markets.

Ultimately, our current systems of accounting have been detrimental to forests, villages, and financial markets alike. As our economy rebuilds, the opportunity is ripe to account for and manage all effects of business—social, environmental and financial. Now is the time for innovation. As an economy and a society, we may not yet have the answers, but we do know what to ask: “What is our social, environmental, and financial return on investment?” 

13

NOTES

1. See Peter F. Drucker, *Innovation and Entrepreneurship – Practice and Principles*. (New York: Harper & Row, 1986), which attributes coining and defining of “entrepreneur” to Jean-Baptiste Say, *A Treatise on Political Economy* (1834).
2. Ronald Grzywinski. “The New Old-Fashioned Banking.” *Harvard Business Review*, 1991.
3. Peter Scholten, Jeremy Nicholls, Sara Olsen, and Brett Galimidi. *A Guide to Social Return on Investment Analysis*. Lenthe Publishers, 2006.
4. Sara Olsen, and Brett Galimidi. “Catalog of Approaches to Impact Measurement.” Social Venture Technology Group and The Rockefeller Foundation, 2008.
5. Jeremy Nicholls, and Sara Olsen. “A Framework for Social Return on Investment Analysis.” Independently published, 2005.
6. Based on the Impact Value Chain in Catherine Clark, William Rosenzweig, David Long, Sara Olsen and The Rockefeller Foundation, *The Double Bottom Line Methods Catalog*, (New York: the Rockefeller Foundation, 2003).

SARA OLSEN AND BRETT GALIMIDI

7. David Ross with Caitlin O'Brien, "Viva Sierra Gorda," Earth Island Institute, 2007, http://www.earthisland.org/journal/index.php/eij/article/viva_sierra_gorda.
8. E + Co website, 6 March 2009, <http://www.eandco.net/Page.46.html>.
9. See Global Impact Investing Network website, <http://www.qk18ad7x79.web.aplus.net/about-us/>.