

Jed Emerson on getting beyond 'the metrics myth'

By Dennis Price

"Measure Better," an ImpactAlpha series in partnership with Acumen, features investment practitioners and thought leaders who are putting customers at the center of their impact strategies. The full series can be found on ImpactAlpha.com.



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Jed Emerson has waited nearly four years for the impact measurement conversation to catch up. Whether it has or not, well, you know Jed.

Emerson introduced "social return on investment" as a practice in the mid-1990s and worked the measurement debate until about 2015, when he penned "[The Metrics Myth](#)" and decided to take a break. The diatribe took on the 'repetitive, mind numbing and distracting' measurement discussions that never really moved the ball down the field.

(The metrics myth, by the way, was that anybody was doing any meaningful measurement after all. Specifically, he wrote, "Impact metrics remain ephemeral, a force living in some deep wood, visions of which are obscured by branches, brush and bullshit.")

Emerson is back with a new book that plumbs far deeper waters. "The Purpose of Capital" is a philosophical, historical even theological inquiry. Measurement, it seems, is part of the answer to a more fundamental, personal, even spiritual question. As Jed puts it: "Whether or not we are actually doing in the world of what we claim and aspire to do in the world."

ImpactAlpha excerpted snippets from the book, in a series we called "The Little Jed book."

Even Jed acknowledged progress in a conversation for *ImpactAlpha*'s Measure Better series, produced in partnership with Acumen. Lean Data, Emerson says, has lowered the cost and timeline of impact measurement, and could potentially raise the bar for the quality of data as well.

"Clients and community are fundamentally customers," Emerson tells *ImpactAlpha*. Combining that mindset with the new reach of technology "you end up with even higher quality data because it's controlled by the voice of the consumer and the community resident."

ImpactAlpha: Do you still think we're decades off from what you called the 'metrics framework of tomorrow?'

Jed Emerson: I still think we're a decade off. But look at this historically. The way we value and assess publicly traded companies today is really radically different from what people were doing 30 or 40 or 50 years ago. The EPA introduced a whole host of considerations around environmental performance of the firm. So it was only in 1970 that you had companies begin to really track environmental impacts.

In the social arena, we had a lot of discussion around outputs, a lot of discussion around documentation of performance. We've had very little discussion around outcomes in a meaningful way or causation or some of the deeper tougher questions. So I'm totally comfortable with the fact that it's going to take us 30 to 50 years in aggregate to get a frame.

I would start the clock from 1990, or

customers for improving products or services is, of course, not new. But the challenge for early-stage enterprises lies in collecting such data thereabouts, when the book *Outcome Funding* was published and started to set off within the philanthropic community and the public sector a whole host of discussions and reflections around this whole idea that we should be oriented toward outcomes and not inputs or outputs. And so I feel like we're on track.

ImpactAlpha: What's important in the Lean Data conversation?

Emerson: This really is a shift they're driving in their process. They're saying, 'This is not about creating a system that will accommodate funders or investors.' It's about creating a system from the inside out, from the customer as the measure of value or the arbiter of good impact, out to the enterprise, out to the market, out to social change. The ability to do that really is a function of technology.

Whether you define that as a community practitioner or a social entrepreneur running a social enterprise or some sort of mission-driven for-profit entrepreneur, you can structure the whole process of understanding value from the inside out from the practitioner perspective.

Then you can say to the funder, 'Here's the value. Now let's figure out what that looks like for you as an investor.'

ImpactAlpha: Are other investors or systems collecting impact data from customers?

Emerson: This work is a part of a field of actors exploring how to integrate stakeholder voice into our impact assessment processes. In addition to the Lean Metrics team, this field has been developed by such leaders as David Bonbright of Keystone Accountability, Fay Twersky of Hewlett Foundation's Fund for Shared Insight, and others.

I deem it in the context of an historical development. We introduced SROI in '96 and then worked with that for three years and then published a whole set of operating templates. Then the New Economics Foundation in the U.K. looked at that material and said, 'You don't have stakeholder voice... we're going to take your framework and we're going to kind of weave stakeholder voice into it in.'

These ideas have been out there. But I think Lean Data is certainly among the first to really sharpen that point. I think they come to it because they are investing in market-facing enterprises and the measure of impact for them is really the experience of the end-user. Combine that with the technology capacity that we have today... and it removes from the equation any kind of intermediation of the data.

Clients and community are fundamentally customers. When you take that mindset shift, combined that with the technology, you don't have to spend hundreds of thousands of dollars building reporting systems. You end up with even higher quality data because it's controlled by the voice of the consumer and the community resident.

ImpactAlpha: Is Lean Data able to help investors think about portfolio-, or even system-level change?

Emerson: Refining the efficiency of the instrument is an important thing but it's not really the critical thing if you still have 'garbage in, garbage out.' Systems that rely on outdated research, or public information or public data that isn't up to date.

The ability to have narrative numeracy, the ability to use numbers to tell stories about customers, about community, about ecology – that's the value of what they're promoting. It's different from random control trials or traditional cost-benefit analyses that are based on budget information that's five years old.

To do real-time, high-integrity analysis of performance and to hold together the economic, social and environmental elements of that performance within the firm – it's shocking. It shouldn't be shocking, That is what this conversation's been trying to do.

ImpactAlpha: Where to from here?

Emerson: When I listen to a lot of these discussions today I just watch folks say 'This is how we have to go.' And I'm like, 'No actually.' If we're lucky none of this is the way to go. The way to go is what we're going to discover looking backward 10 years from now.

When you put this kind of work and these approaches together with the work that I think still has to be done in terms of understanding the deeper meaning, purpose and intent then

our field will really scale and have the potential for being transformative. Not for simply creating impact, but for actually changing the world.

This article first appeared on [ImpactAlpha.com](https://www.impactalpha.com) on October 17, 2018.