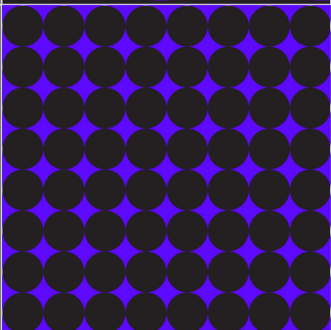
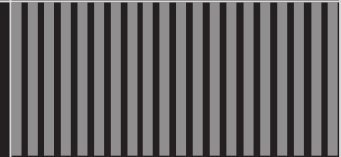
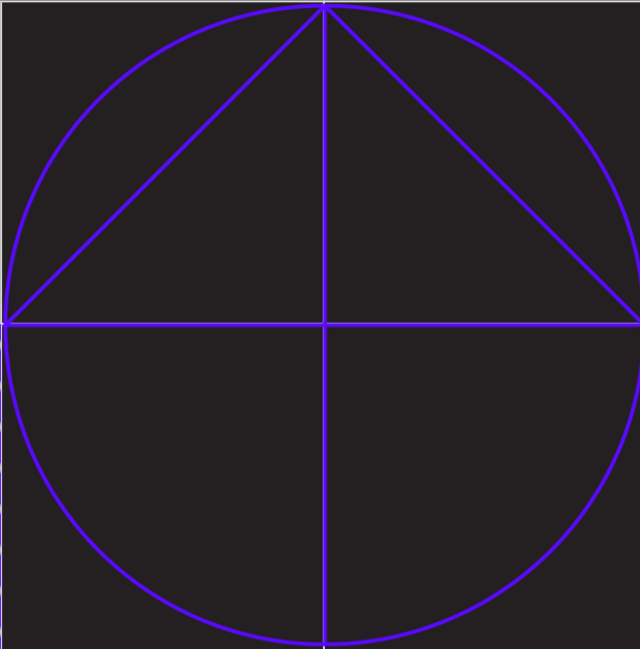
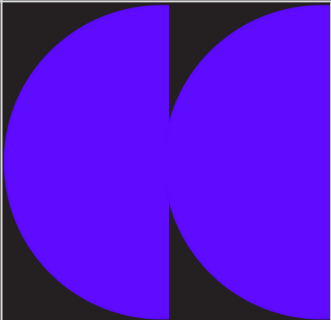
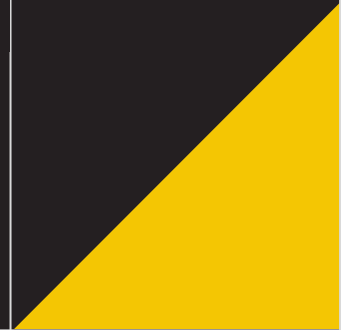


# INNOVATION NORTH



Session 9 Briefing Note:

## MEASURING AND ASSESSING INNOVATIONS



# Introduction

Often the best innovators see what others don't see, and they bring new understandings of both the problems and solutions. Measuring and assessing, then, is more art than science. It shapes what innovators see in the world, and a way for them to express their creativity.

Most organizations focus their measurements on finances, their customer markets, and their operations. Executives manage what they measure, and they also innovate against what they measure. If everyone measured the world in the same way, innovators would rush to the same place.

## Why Assessing And Not Just Measuring?

We added assessing because not everything in a system can be measured. As we learned in the early sessions of the Lab, much of what happens in a system is invisible. Mental models, relationships, and biases are often invisible, yet they shape what we see and how we act.

The process of 'assessing' explicitly recognizes the importance of intuition and qualitative data. It allows innovators to acknowledge what can't be measured.

## Why Measuring And Assessing Is Important To Innovation

The process of measuring and assessing helps innovators see problems with greater clarity. It requires them to define and describe what they see, expect and achieve. In doing so, innovators are better able to see threats, prioritize opportunities, and identify solutions.

There are three important reasons why innovators need to assess and measure the extent of the problems they are addressing and the impacts of the proposed solutions:

**1. Acknowledges Unstated Assumptions:** The process of measuring and assessing helps to better understand the landscape, forcing innovators to focus their insights on what cannot readily be seen. Innovators need to be explicit about their assumptions – especially about the potential, probable, desired, and actual impact. The process also forces innovators to draw boundaries around the system they seek to impact.

**2. Communicates Ideas:** The practice of measuring and assessing builds a body of information that can be communicated to others, through quantitative impacts, such as financial data, or by qualitative artefacts, such as stories.

**3. Evaluates Progress:** As innovations are driven by the desire to meet a goal, this practice helps innovators better describe the problem they are solving and better understand their progress in moving towards that goal. These insights then feed into future decisions.

## What Questions Will the Upcoming Lab Session Address?

This upcoming Lab session will encourage participants to engage with the practice of measuring and assessing impact of innovation. It will include a discussion of what is impact measurement, frameworks and tools to aid in impact assessment, and how to determine the point of desired impact, and communicating the results. The innovation mandate within organizations has the opportunity to widen the scope of insights that are measured. The current societal environment asks that decision making incorporate evaluations that include traditional economic metrics, and consider the greater potential for positive systems change. As a result of these evaluations, organizations are also facing pressure to include an expanded lens to all their processes.

In order to provide the information that decision makers need, product impacts must be connected to financial metrics and allocated to each product based on accounting methodologies. Given that those impacts are represented in both quantitative and qualitative forms, it's important to translate as many expanded impacts as possible into monetary units and find alternate ways of communicating impact through visuals and stories, and we don't just mean prettier PowerPoints. This process is dependent upon many factors, including: data, scope of source impact, time-period, materiality, and assurance. The resulting innovation assessment is not only beneficial to evaluate impact, it also allows managers to communicate the expanded value their organizations create.

**1. Understand the Activity and Its Effects:** This involves choosing an activity for which the impact assessment will be conducted, determining the scope of the activity that will be assessed, and agreeing on the objectives of the assessment.

**2. Outline the Mechanisms Through Which the Activity Produces Its Effects:** Use frameworks, such as the Theory of Change to detail the mechanisms through which the activity triggers its effects.

**3. Determine Proxies and Collect Data:** Determine proxies, either qualitative or quantitative, which can be used as measurable indicators for each identified effect. Collect data for each of these proxies. Effective proxies should capture only the effects of the chosen activity.

**4. Analyze the Results in the Context of the Study:** Understand the results of your assessment and acknowledge limitations. Make decisions based on impact assessment that maximize positive effects and minimize negative effects.

## Important Considerations

A good assessment recognizes that different types of data convey different information. It is important, then, for innovators to draw on diverse types of data from a variety of sources in order to see the full picture. Drawing on diverse data types brings a broader and more detailed picture into view. Relying only on quantitative data can inadvertently mask important differences that can't be measured, such as differences in beliefs and values, or the distribution or strength of opinions.

### Sources Of Data

There is difficulty in measuring impact both in terms of availability of metrics and ability to transform these metrics into monetary terms. New framework and assessment techniques need to be adopted based on expanded considerations. Some issues cannot be captured solely through quantitative measurement. In these instances, qualitative measures such as stories and visuals may be more effective. Organizations may be creative in sourcing data to address the challenges of availability and determining effective proxy metrics. Data may be internally developed, measured, and reported, or organizations might rely on publicly available data or proxies.

### Scope Of Measurement

Will impact assessments include only direct impact or would management prefer to also include indirect impact? Will this impact be upstream (i.e., inputs) and downstream (i.e., outputs), or might it be circular in nature? The very first step in determining

assessment boundary is to engage with stakeholders to better understand their expectations for impact, identifying issues and assessing gaps, risks, and opportunities. This engagement also provides a foundational sense of “value” which subsequently drives assessment goals and processes.

## Time-Period Of Assessment

Data is often collected and analyzed historically, but in systems innovation, we are often looking at impact into the future. Many conventional tools of measurement and assessment focus on the collection and analysis of information in the past and project these insights into the future. However, when measuring and assessing impact of innovation, we may not have past data or comparables readily available to us. This requires an understanding of the system and use of tools such as the Theory of Change, which can aid in assessing impact of an activity into the future. Additionally, it may be difficult to measure and assess the value of an activity as there may be long-term impacts in addition to short-term impacts. Therefore, when assessing the impact of innovation, it is important to determine the desired timeframe of assessment and duration of impact in which to ground the measurement.

### Measuring and Assessing in Systems Innovation

Airbnb, an online platform that brings together homeowners and travellers interested in short-term accommodations has experienced immense growth in its innovative approach to short-term rentals, disrupting the traditional hotel market. At first glance, its innovative model seeks to lower the costs of short-term rentals, making travel more affordable.

Airbnb publicly declares that they aspire to benefit all their stakeholders over the long-term and they view business success as going hand-in-hand with making ‘positive contributions to society.’ An important question to consider is: how does Airbnb measure their positive contributions to society?

Airbnb identifies principles for serving stakeholders including guests, hosts, communities, shareholders, and employees. They report on numerous benefits to their stakeholders. For example, Airbnb highlights the additional revenue it brings to communities that are typically underservice by the hospitality industry; approximately three quarters of listings are located outside of traditional tourist hot spots. Airbnb facilitates additional economic activity

in these towns as guests spend money at local restaurants and other outings. Airbnb also provides benefits to homeowners in allowing for additional streams of revenue from their home. For travellers, Airbnb increases the supply of short-term rentals, making accommodations more affordable.

Importantly, Airbnb has also been criticized for its negative effects on the communities in which it operates. A cost-benefit analysis conducted by the Economic Policy Institute suggests that the economic costs of Airbnb to local communities outweighs the benefits.

These current metrics used to measure and assess the impacts of Airbnb fail to consider the broader economic system in which Airbnb is embedded and the negative consequences that arise from Airbnb's growth.

External studies demonstrate that in addition to the benefits listed above, Airbnb negatively impacts local communities by increasing long-term rental rates and house prices, contributing to a loss to lodging tax revenue from hotels, imposing negative externalities on neighbours in residential areas not zoned for short-term lodging, and negatively impacts employment through its disruption of the hotel industry.

Taking into account these broader effects which become illuminated when considering Airbnb's role within a broader system of the lodging industry, housing market, and local community dynamics, shows the importance of measuring and assessing from a systems perspective. A broader assessment of impacts has warranted a response from Airbnb who has embarked on a mission to collaborate with policymakers, communities, and local hosts in select cities to develop a plan to help governments managing the home sharing market while minimizing the negative effects to local families and businesses.

This example demonstrates the important role the practice of measuring and assessing play in systems innovation, both in response to the problem, and in determining impacts of the solution.

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