

Corporate Sustainability Management (CSM) – A Context-Based Approach

Understanding the CSM Cycle

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Introduction

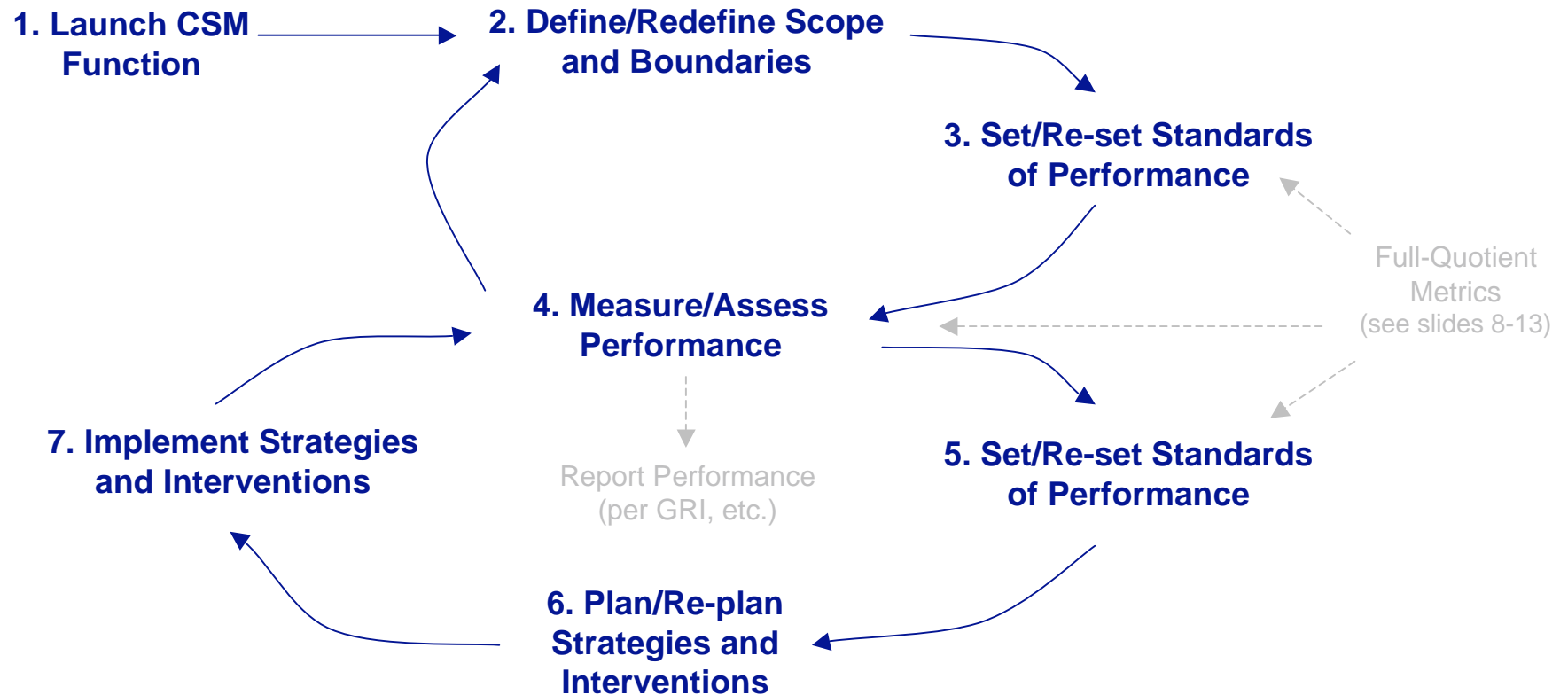
- This will be a summary of the practice of ‘context-based’ Corporate Sustainability Management (CSM)
 - Argues for the management, measurement, and reporting of sustainability performance relative to actual social, economic, and environmental conditions in the world (i.e., context)
 - Demonstrates a fully operationalized form of triple bottom line theory and practice
 - Interprets the sustainability performance of an organization in terms of its impacts on environmental, social, and economic conditions in the world

CSM as a Stepwise Process

1. Launch and Orient CSM Function
2. Define/Redefine Scope and Boundaries of CSM Focus
3. Set/Re-set Organizational Standards of Performance
4. Measure/Assess Organizational Performance
5. Set/Re-set Organizational Standards of Performance
6. Plan/Re-plan CSM Strategies and Interventions
7. Implement CSM Strategies and Interventions

Repeat steps 4 through 7 continuously
and/or steps 2 through 7, if needed

CSM Viewed as a Double-Loop Cycle



Steps 1 through 3

1. Launch and Orient the CSM Function

- Amounts to initializing CSM
- Involves making conceptual commitments
 - Human well-being
 - Vital capitals
 - Triple Bottom Line
- Also involves choosing an approach to metrics
 - Context-based versus context-free
 - Full-quotient versus numerator only
 - Efficiency as a tactic, not a strategy
- And embracing the CSM cycle itself

2. Clarify Scope and Boundaries

- CSM may make reference to Life Cycle Analyses, but is not the same thing
 - Good idea to make them synonymous with boundaries of financial management (i.e., the enterprise)
- Must identify and prioritize relevant stakeholder groups to focus on
- Allocate resources to non-financial performance
 - Ensuring the financial viability of a firm must come first
 - Next comes ensuring its non-financial performance to the fullest extent possible (i.e., its TBL performance)
 - Best to specify resource allocations to non-financial performance at the start of each CSM cycle (e.g., annually)

3. Set/Re-set Standards of Performance

- Vital Capitals and the Triple Bottom Line (TBL)
 - The sustainability performance of an organization is a function of its impacts on vital capitals, as such capitals are required to ensure human well being
 - The relevant ‘humans’ in the case of CSM are an organization’s stakeholders, as identified/prioritized in step 2
- Metrics, Measurement and Reporting
 - Vital-capital-related duties and obligations to have/not have impacts must be identified for each stakeholder group
 - Metrics must then be defined to help measure whether duties and obligations are being met
 - Duties then reflected in denominators of full-quotient metrics

Full-Quotient Metrics

The Sustainability Quotient

A Formula for Measuring and Reporting
Corporate Sustainability Performance

$$S = A/N$$

Where:

S = Sustainability Performance*

A = Net Actual Impacts on the Carrying Capacities of Vital Capitals

N = Net Normative Impacts on the Carrying Capacities of Vital Capitals

*For Ecological Quotients, S scores of ≤ 1 are sustainable, >1 are unsustainable;
for Societal Quotients, S scores of ≥ 1 are sustainable, <1 are unsustainable

Another Way of Saying It

$$\text{Sustainability Performance} = \frac{\text{Our Actual Impact On a Vital Capital}}{\text{What Our Impact on a Vital Capital Should Be}}$$

Examples of Full-Quotient Metrics

- Sample metrics for the environmental bottom line:
 - Greenhouse gas emissions (numerator) measured against the assimilative capacity of the atmosphere to absorb such emissions (denominator)
 - Fresh water use (numerator) measured against the availability of renewable fresh water supplies (denominator)
 - Fossil fuel use (numerator) measured against the rate of use, or integration of, renewable alternatives (denominator)
 - Solid waste emissions (numerator) measured against the availability of landfill capacity (denominator)

Examples of Full-Quotient Metrics

- Sample metrics for the social bottom line:
 - Contributions to climate change mitigation efforts (numerator) measured against standards for what such contributions ought to be (given a company's size and economic resources) in order to ensure human well-being (denominator)
 - Contributions to public health programs (numerator) measured against standards for what such contributions ought to be (given a company's size and economic resources) in order to ensure human well-being (denominator)
 - Contributions to public infrastructure measured against standards for what such contributions ought to be (given a company's size and economic resources) in order to ensure human well-being (denominator)

Examples of Full-Quotient Metrics

- Sample metrics for the economic bottom line:
 - Impacts on community economic development programs (numerator) measured against standards for what such impacts ought to be (given a company's size, etc.) in order to ensure human *economic well-being* (denominator)
 - Impacts on local livable wage standards (numerator) measured against standards for what such impacts ought to be (given a company's size, etc.) in order to ensure human *economic well-being* (denominator)
 - Impacts on foreign fair trade practices (numerator) measured against standards for what such impacts ought to be (given a company's size, etc.) in order to ensure human *economic well-being* (denominator)

Steps 4 through 7

4. Measure/Assess Performance

- This is the act of determining what the value of numerators are in the preceding quotients
- Amounts to measuring actual impacts on relevant vital capitals
- Concludes with assessment of quotient scores
 - Impacts on natural capital determine what an organization's Environmental Bottom Line performance is
 - Impacts on human, social, and constructed capital determine what an organization's Social and Economic Bottom Lines are
 - The Economic Bottom Line is just a type of Social Bottom Line

5. Set/Re-set Standards of Performance

- Responding to measurement and assessment
 - Results may indicate that standards set in step 3 need to be modified in some way
 - If so, change them and then move to step 6
 - Results will also indicate whether or not an organization's impacts on vital capital are what they should be
 - If gaps exist, their presence can inform planning in step 6
- Revisiting scope and boundaries
 - In some cases, it may be appropriate to revisit scope and boundaries so that relevant areas of impact and associated standards of performance can be re-defined
 - If so, return to step 2 and follow cycle all over again

6. Plan/Re-plan Strategies and Interventions

- In cases where gaps or deficiencies in performance are revealed through measurement, CSM strategies and interventions must be developed to help close them
 - This is the purpose of full-quotient metrics – to determine whether or not an organization is meeting its duties and obligations to have/not have impact on vital capitals as required by its stakeholders for their well-being
 - Note that gaps can either be positive or negative
- In practice, a CSM function may measure performance once a year, and then spend the rest of the year closing gaps revealed through measurement

7. Implement Strategies and Interventions

- Attacking gaps
 - This is the step of taking action in order close gaps identified in step 6
 - Or can be aimed at simply *maintaining* performance in cases where there are no gaps, or where gaps are marginal
- Examples of strategies and interventions
 - Reducing energy and materials use and also emissions in order to improve performance on the environmental bottom line
 - Increasing investments in improving the sufficiency of community-based social or economic programs in order to improve performance on the social or economic bottom lines

After Step 7 – Repeat the Cycle

- Revisit measurement and assessment
 - Once strategies and interventions have been made, performance must be measured and assessed again in order to see if the intended effects have been realized
 - This amounts to repeating step 4 again, followed by steps 5, 6, and 7, as well
- Best practices in CSM therefore boils down to open-ended repetition of steps 4 through 7, or 2 through 7
 - Occasionally it may be appropriate to double back to step 2, in cases where significant organizational, market, and/or stakeholder changes have occurred
 - Otherwise, repeat steps 4 through 7 cyclically

Summary

Summary

- CSM can be thought of as a cyclical process of managing an organization's impacts on vital capitals, as such capitals are required by its stakeholders to ensure their own well-being
- As a process, CSM generally follows the logic of gap analyses
 - Targets for impact are defined
 - Actual impacts are measured, and gaps, if any, are noted
 - Gaps, if any, between targets and gaps then lead to strategies and interventions aimed at closing them
 - Actual impacts are then measured again, and the cycle repeats

Thank You!

For more information, contact us at:

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