Implications of select SDPI indicators for SSE organizations and enterprises

Sonja Novkovic
GSEF Global virtual forum
October 20, 2020
• SSE: What to measure and why
• External pressures (…)
• Internal pressures/needs (purpose; isomorphism-stay the course; transparency-democratic governance)
• Sustainability from SSE perspective
• Sustainable development performance indicators (SDPI)
Sustainability

- Sustainability and transformation
- What is *sustainable* from SSE perspective?
- What needs to be measured to demonstrate:
  a. (un)sustainable practices
  b. Transforming the system (addressing the root causes of unsustainability)
What do SSEs need to measure and why?

• External pressure
  – Stakeholder capitalism (the US Business roundtable; Davos Manifesto)
  – For-purpose enterprises
  – Impact investment
  – B Corps, social enterprises, social business
SSE purpose

• To mitigate social and economic injustice by means of collective action
  – Socio-economic injustice creates unsustainable systems
• Transform the economy by
  – Pursuing common good
  – Economic democracy
  – People centred (instead of capital-centred)
SSEs address:

- structural issues
- regulatory blind-spots
- promote human dignity, and
- ethical business practices.
It is not just the ‘what’ enterprises produce (outputs/outcomes), but also ‘how’ they do it (inputs/processes) that matters in understanding the difference (relations in production and consumption; reciprocity).
Co-operatives as the benchmark model

- The ‘benchmark’
  - Defined values
  - Principles
  - Statement on the co-operative identity (catering to community needs, rather than investment focused)
  - A global network
Sustainability indicators from the SSE perspective

• Sustainability indicators ought to deliver on the following:
  • expose structural causes of the dominant unsustainable economic model and regulatory environment;
  • expose unethical practices driven by the strive for profit
  • show the effect these alternative business models have, or aspire to have, in various spheres of economic activity;
  • reveal the transformative potential of SSE;
  • nudge (large co-operatives in particular) who succumbed to isomorphic pressures to deliver on their purpose
The SSE difference

• Purpose: to mitigate social and economic injustice by means of collective action
• Internalizing the externalities
• Addressing structural issues
  – Unequal income distribution
  – Dominant role of capital
  – Global production, consumption and services
  – Long supply chains
  – Commodification
Sustainability from SSE perspective

- Distribution of power and income
- Subordinate role for capital
- Competitive pressure – mitigating market power
- Promoting human dignity – impacting workers, consumers, producers, community
- Decommodification (land, labour, money);
- De-marketization (housing, food, health, enterprise, knowledge)
- Longevity (serve future generations; enterprise not a commodity; not exposed to capital market speculations)
- Growth by networks; spawning; spinoffs
Sustainable development performance indicators (SDPI) so far

• Applicability to all types of enterprises
• Starting point: UNCTAD core indicators
• Blind spots and contextualization
• Informed by the purpose of SSE
  – Transforming economic relations (democratic governance; collective action; equity; human dignity...)

SAINT MARY'S UNIVERSITY

SOBEY SCHOOL OF BUSINESS

INTERNATIONAL CENTRE FOR CO-OPERATIVE MANAGEMENT
Examples

**Tier I**
- Taxes and other payments to the government
- Green investment
- Community investment
- R&D spending

**Tier II**
- 5-Year Tax Gap
- 5-year trend in green investment
- 5-year trend in community investment
- Sustainability aligned R&D spending

**Tier III**
- Tax gap and fiscal disclosure (external reporting)
Tier I

- % women in management
- Employee wages and benefits
- % employees with collective agreements

Tier II

- 5-year average gender diversity: entry level hiring and promotion
- 5-year union density and collective bargaining

Tier III

- CEO/worker pay ratio
- Living wage gap
- Distribution of surplus
- Gender hiring and promotion at occupational level
- Dependent care support
environmental

Tier I
- Water recycling and reuse
- Reduction of waste generation
- Greenhouse gas emissions Scope 1 (direct)

Tier II
- 5-year trend on solid waste reduction
- Greenhouse gas emissions Scope 2 (indirect)

Tier III
- Water use – share within watershed boundary
- Greenhouse gas emissions Scope 3 (supply chain)
- Circular economy
Institutional

**Tier I**
- Corporate governance disclosure
- Gender, age, compensation
- Anti-corruption practices

**Tier II**
- Corporate governance 5-year trends
- 5-year trend in corruption related fines

**Tier III**
- Corporate political influence
- Fines and Settlements
- Board term limits
- Employee Participation
- Resilience (multiple options)
Implications for SSE

• Tier three – transforming purpose of economic activity and relations
• Social area particularly fitting
• Mitigating isomorphism of large SSEs
  – Stakeholder focus
  – Sustainable practices
  – Circular economy
  – Democracy, inclusion
Issues addressed

• Environment
  – Supply chain emissions
  – Circular economy
  – Watershed boundaries

• Social
  – Distribution of income (pay ratio; living wage gap; surplus distrib.)
  – Gender equity (pay gap; diversity; caregiving support)
  – Labour rights (discrimination, worker empowerment, subcontracting)
  – Employment, inclusion, ethical sourcing
• Institutional
  – Context based accounting
  – Democratic governance
  – Employee participation
  – Information sharing
  – Resilience factors
More work needs to be done...

- Small SSE organizations may struggle (eg. living wage)
- Context is relevant
- Norms may need to be revisited – are they ambitious enough?
More work to be done...

• Piloting the indicators
  – Assessing their usefulness/ transformative potential
• Measuring is not a panacea
  – Policy issues
• SDPI – a step toward unified measurement
• Remaining issues
  – Small SSEs and their real impact
  – Economic viability, autonomy and networks
Thank you!
snovkovic@smu.ca