

# Taking Sustainability Literally

An Introduction to Context-Based Sustainability

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# Context-Based Sustainability (CBS)

- Quick tutorial
- What kind of thing is CBS?
  - New management doctrine for corporate sustainability management (CSM)
  - ~10 years old

# Management Doctrines

- What are they?
  - Competing or alternative schools of thought or practice that managers rely on
  - Reflective of different worldviews or paradigms
- *Sustainability performance* management

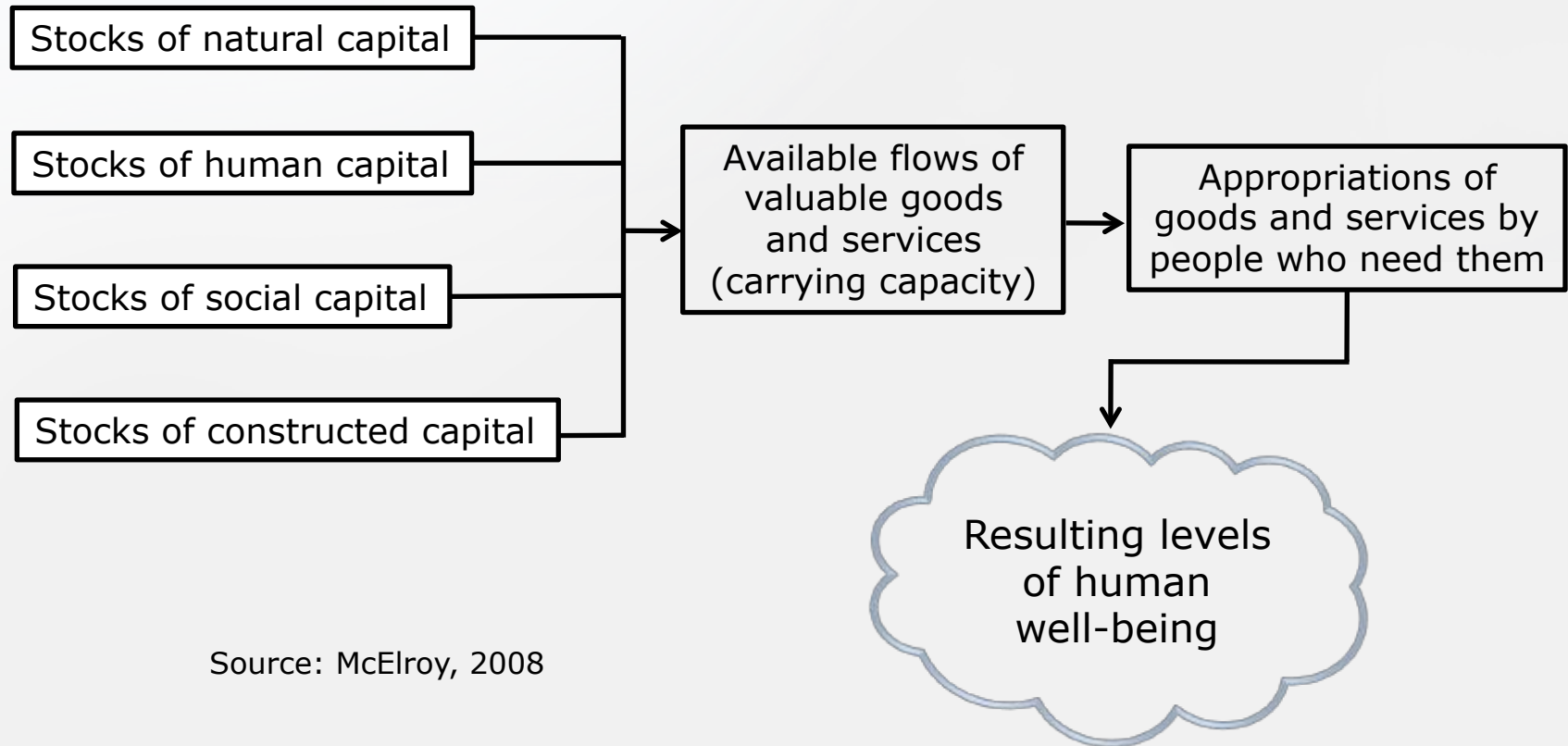
# Mainstream Doctrines in CSM

- CSR
- Eco-efficiency
- Citizenship
- TBL
- Other?

# CBS as an Alternative Doctrine

- Literalist in its orientation
- Others are incrementalist
- CBS is also explicitly capital-based
  - Grounded in *Multicapitalism*

# Multicapitalism



Source: McElroy, 2008

# Vital Capitals and the Triple Bottom Line

<b>Vital Capitals</b>		
<b>Human</b>	<b>Internal Economic</b> <i>Financial &amp; Non-Financial</i>	<b>Natural</b> <i>Natural Resources &amp; Ecosystem Services</i>
<b>Social &amp; Relationship</b>		
<b>Constructed</b>	<b>External Economic</b> <i>Financial &amp; Non-Financial</i>	
<b>Social Bottom Line</b>	<b>Economic Bottom Line</b>	

# Metrics Vary by Doctrine

- Incrementalist
  - Absolute
  - Relative (Intensity)
- Literalist
  - Context-based
  - A 3<sup>rd</sup> way
  - Quotient-based



# Context-Based Metrics

## *A General Specification for Context-Based Metrics*

$$S = \frac{A}{N}$$

(*Actual* impacts on a vital capital)

(*Normative* impacts on a vital capital)

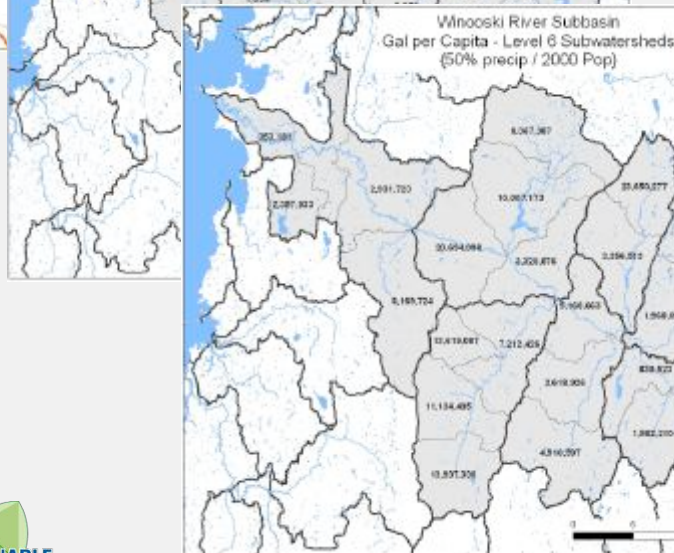
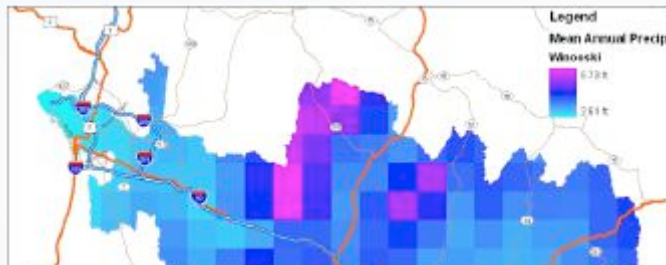
For impacts on natural capital, all scores of  $\leq 1.0$  are sustainable;  $> 1.0$  unsustainable  
For impacts on other capitals, all scores of  $\geq 1.0$  or sustainable;  $< 1.0$  unsustainable

# Materiality Implications

- Materiality criteria also differ by doctrine
- Incrementalist
  - Narrow investor-based interpretation carried over from financial to non-financial domain
  - e.g., SASB
- Literalist (CBS)
  - Broader, stakeholder-based interpretation
    - All impacts on vital capitals important to stakeholder well-being
    - All duties and obligations to all stakeholders to have such impacts



# Quick Illustrations (cont.)



**Organization/Facility Name:** TransGlobal, Inc./U.S. Plant  
**Year of Analysis:** 2008

*Sample Report*



**Hydrological Unit #1:** Braintree Subwatershed Level 6  
**Hydrological Unit #2:** Delta River Subbasin Level 4

### Quotient Scores

#### Per Capita (Level 6)

- Numerator: 25,550,000  
 - Denominator: 32,800,000 = 0.78\*

#### Economic (Level 4)

- Numerator: 21,600,000  
 - Denominator: 98,440,000 = 0.22\*

#### Intensity (Level 6)

- Numerator: 25,550,000  
 - Denominator: 98,600,000 = 0.26 gals./unit

\*Scores of  $\leq 1.0$  are sustainable; scores of  $>1.0$  are unsustainable.

### Background Data

e.g., precipitation, population and economic data.

### Numerators

	Braintree L6	Delta River L4
- On-site in (gals.)	15,700,000	15,700,000
- Municipal in (gals.)	32,500,000	32,500,000
- On-site out (gals.)	(10,500,000)	(10,500,000)
- Municipal out (gals.)	(12,150,000)	(15,800,000)
<b>Net Consumption (gals.)</b>	<b>25,550,000</b>	<b>21,600,000</b>

### Denominators

	Braintree L6	Delta River L4
Per Capita (Level 6) (gals.)	32,800,000	
Economic* (Level 4) (gals.)		98,440,000
Intensity (Level 6)		
- Production vol. (units)	98,600,000	

\*Function of economic performance; basis varies.

# Quick Illustrations (cont.)

## The MultiCapital Scorecard™

World's first integrated context-based measurement and reporting system!

2019 – Company ABC										
Bottom Line	Areas of Impact/ (Capitals)	Progression Score		Weight		Fully Sustainable Score		Area of Impact Sustainable	Triple Bottom Line	Notes
		A	B	C	D	D - C	C / D			
				A x B	B x 3					
Social	Living Wage (H)	3	1	3	3	0	100%	83%	THOMAS & MCELROY LLC Advisors in Organizational Sustainability  TM	
	Workplace Safety (H,S,C)	3	5	15	15	0	100%			
	Innovative Capacity (H,S,C)	1	2	2	6	4	33%			
Economic	Equity (E:IF)	3	5	15	15	0	100%	90%		
	Borrowings (E:IF)	2	1	2	3	1	67%			
	Competitive Practices (E:EF & ENF)	2	1	2	3	1	67%			
Environmental	Water Supplies (N)	3	3	9	9	0	100%	77%		
	Solid Wastes (N)	2	2	4	6	2	67%			
	The Climate System (N)	2	5	10	15	5	67%			
<b>Overall Performance</b>				62	75	13		83%		



# Uptake by Standards



"Sustainability Context"

INTEGRATED REPORTING <IR>



## Science-based Target Setting Guidance Workshop - Washington, DC

WWF, World Resources Institute and CDP invite you to a one day workshop to learn about and provide input on a new method to develop science-based corporate GHG reduction targets.

This workshop is part of a larger public consultation process we are opening for companies to share useful insights for the improvement of this method.



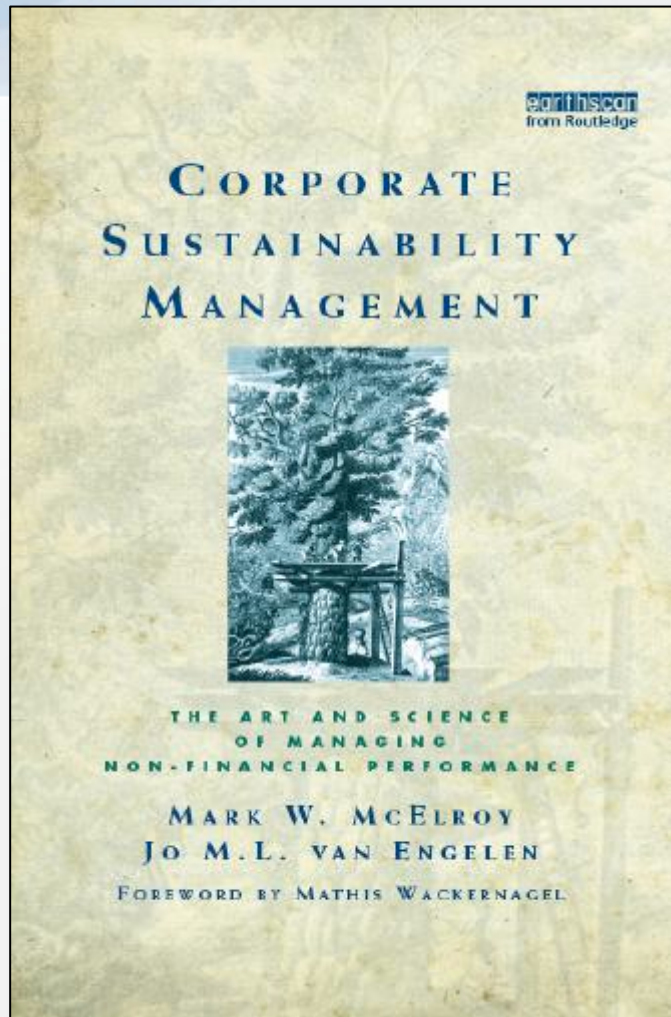
# Why Embrace CBS?

- One reason only:
  - You care about whether or not your organization is sustainable
- No other way to assess the sustainability performance of an organization
- Not just about non-financial performance, either
  - Integrated form of CBS includes treatment of financial performance, too

# Implementation Template (AoIs)

Step 1		Vital Capitals	TBL	Sustainability Norms (Thresholds)	Data Types and Sources
Ares of Impact (Aois)	Stakeholders				
Climate / GHGs	Humanity	Natural	En	Mitigation Targets	Own Emissions
Livable Wage	Employees	Economic	Ec	Regional Norms	Own Payroll





# Thank you!

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