Social footprints
McElroy, M.

IMPORTANT NOTE: You are advised to consult the publisher's version (publisher's PDF) if you wish to cite from it. Please check the document version below.

Document Version
Publisher's PDF, also known as Version of record

Publication date: 2008

Link to publication in University of Groningen/UMCG research database

Citation for published version (APA):

Copyright
Other than for strictly personal use, it is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), unless the work is under an open content license (like Creative Commons).

Take-down policy
If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

Downloaded from the University of Groningen/UMCG research database (Pure): http://www.rug.nl/research/portal. For technical reasons the number of authors shown on this cover page is limited to 10 maximum.

Download date: 30-12-2018
In this thesis, an effort is made to develop a means of measuring the social sustainability performance of organizations. It is suggested that despite the availability of several sustainability measurement and reporting standards (e.g., the Global Reporting Initiative), no such satisfactory method currently exists. Of the various related, and unsatisfactory, methods that do exist, they are each inadequate, either because of their failure to address social sustainability at all, or because they do not measure and report sustainability in any sort of literal way.

Thus, a conclusion is made that the promise of so-called triple bottom line management has not yet been fulfilled. Modern-day managers have all of the tools they need to do a proper job of managing financial and environmental performance, but not yet their social performance. This thesis sets out to close that gap by operationalizing the missing social element of the triple bottom line. The result is the Social Footprint Method (SFM), and the concept of sustainability quotients upon which it rests. The former is a measurement model and procedure for determining the social sustainability performance of an organization; the latter is a more broadly defined sustainability measurement model, from which the SFM is derived.

The approach taken to developing the SFM begins with a search for a compelling and persuasive interpretation of sustainability, as reflected in the sustainability literature and also in mainstream tools and methods currently in use. Preference is ultimately given to a sustainability measurement and reporting approach found in the environmental domain, exemplified by the Ecological Footprint Method (EFM), and three related principles of sustainability put forward in 1990 by Herman E. Daly. Daly’s principles, or rules, comprise a set of conditions that must be met by a society in order for sustainability to obtain:

1. Its rates of use of renewable resources do not exceed their (the resources’) rates of regeneration;
2. Its rates of use of non-renewable resources do not exceed the rate at which alternative renewable resources are developed;
3. Its rates of pollution emissions do not exceed the rate of the environment’s assimilative capacity to absorb such emissions.

Despite the narrowly ecological context of Daly’s rules, and the equally narrow scope of the EFM, both are instructional in terms of how sustainability measurement and reporting, in general, can be approached. It is first observed that sustainability entails the measurement of one thing in terms of another - of impacts on resources against standards of performance for what such impacts ought to be. It is then observed, from a closer inspection of the literature, that the particular resource of interest when assessing the ecological sustainability of human activity is a type of capital - natural capital.

Armed with these insights, an effort is then made to determine whether or not a social sustainability measurement and reporting method can be devised according to the same basic principles found on the ecological side of the subject. This effort is successful. The importance and relevance of capital - all capital - is that it serves as a vital resource for human well-being. Indeed, capital can be defined as a stock of anything that yields a flow of valuable goods or services, which humans, in turn, regularly use or appropriate in order to maintain their well-being. The quality and/or sufficiency of such flows can be referred to as their carrying capacity. Sustainability performance thereby reduces to a measurement of impacts on the carrying capacity of vital capitals, relative to what such impacts ought to be in order to ensure human well-being.

If, however, in the case of the environmental bottom line - per the EFM, Daly’s rules, etc. - the relevant capital of interest is natural capital, what is the relevant capital of interest where the social bottom line is concerned? Here it is determined that there are actually three such capitals: human capital, social capital, and constructed capital. It is further observed that unlike natural capital, these three types of capital are entirely anthropogenic - humans produce them. Thus, one can refer to them collectively as anthro capital.

Notice is then given to the fact that the general approach to sustainability measurement favored in this thesis involves the systematic formulation of three types of claims: two descriptive claims and one normative claim. Sustainability measurement and reporting, that is, always involves, first, the making of a descriptive claim about what an organization’s impacts on vital capitals have been; then second, a normative claim is made about what such impacts ought to have been;
and third, another descriptive claim is made about how the first two claims compare. Insofar as the third claim is concerned, an organization’s impacts on vital capital are either consistent with the corresponding normative claim, or they are not. If they are consistent, the behaviors measured are said to be sustainable; if they are not consistent, the behaviors are unsustainable.

The relationship between the three claims discussed above can be expressed in the form of an equation, in which a sustainability quotient \((A/N)\) can be configured as shown in Figure Se.1.

**Figure Se.1  The sustainability quotient**

\[
S = A/N
\]

where:
- \(S\) = sustainability performance (a descriptive claim)
- \(A\) = actual impacts on the carrying capacities of vital capitals (a descriptive claim)
- \(N\) = normative impacts on the carrying capacities of vital capitals (a normative claim)

Having effectively discovered, in a sense, the epistemological nature of sustainability measurement and reporting, an entire chapter is devoted to the study of related theories of truth, value theory, and the basic differences between descriptive and normative claims. An epistemological basis for moving ahead is then chosen, according to which it is claimed that both factual (i.e., descriptive) and normative claims can be made in a non-relativistic fashion, in accordance with a correspondence theory of truth, but never with certainty. At this juncture, fallibilism is embraced and, in particular, the epistemology of Karl Popper. Thus, it is asserted that one can formulate standards of performance, or normative claims, for achieving sustainability that are grounded in the idea of maintaining human well-being, and that separate descriptive claims about whether or not such standards have been met can also be formulated. And all of that, it is argued, can be done in an epistemologically sound and legitimate fashion.

The specifics of the measurement model proposed for determining the social sustainability performance of an organization are then fleshed out in the form of a societal quotient, a variant of the more broadly defined sustainability quotient earlier identified \((A/N)\) (see Figure Se.2).
Next it is claimed that the social sustainability performance of an organization can be assessed using the societal quotient construct above, on either an internal or an external basis. Internal performance will generally involve impacts on vital anthro capitals of importance to the well-being of employees; external performance, by contrast, will involve impacts on stakeholders outside of an organization - usually at a local, regional, national, or global level. To support such assessments, an internal-versus-external ontology of conditions in the world that correspond to human needs and well-being is provided, and correlated with supporting types of anthro capital.

Attention is then given to the procedural side of the SFM. Since the SFM involves the construction and use of quotients, the procedure proposed is expressed, accordingly:

Step 1: Define boundaries of analysis;
Step 2: Select specific area(s) of impact (AOIs);
Step 3: Specify and construct denominator;
Step 4: Specify and construct numerator;
Step 5: Compute the quotient score.

Users of the SFM must first be clear about the boundaries of their analysis. Here a distinction is made between organizational, physical, and temporal domains. Next it is argued that specific areas of impact must be selected for study, since each may have a unique sustainability quotient associated with it. Attention is then given to the construction of the quotients themselves, starting with the denominators, and then the numerators. Last comes the computation and analysis of related scores.
To help illustrate use of the SFM, two case studies are provided - one involving a subsidiary of the Unilever Corporation in the U.S., Ben & Jerry’s Homemade, Inc., and the other, Wal-Mart Stores, Inc. The Ben & Jerry’s case involves a measure of the company’s contributions towards producing and/or maintaining anthro capital at levels required to effectively address climate change mitigation. The Wal-Mart case, by contrast, focuses on contributions made towards helping to achieve the UN’s Millennium Development Goals. In both cases, performance is measured against a computation of what the companies’ impacts ought to have been, in order for their performance to be regarded as sustainable (i.e., as reflected in the normative claims embodied in the denominators of their respective quotients).

The final chapter provides a summary of several important conclusions, including the following:

1. Leading tools and methods used to measure and report sustainability performance in organizations today fail to function as advertised, and do not measure and report sustainability performance in any meaningful, or literal, way;

2. Some tools, however, such as the Ecological Footprint Method (EFM), are more effective, thanks to their inclusion of sustainability context in their scope. Sustainability context can be understood as an account of vital capitals in the world, and the corresponding state of human well-being;

3. Organizational sustainability performance is best thought of, therefore, as a measure of impacts on the stocks and flows of vital capitals, the quality and supply of which are determinants of human well-being;

4. There are no tools or methods for measuring and reporting the social sustainability performance of an organization in a literal sense; such a method can be devised, however, using the capital-based approach found in the EFM and tools like it. The Social Footprint Method (SFM) is one such solution, albeit with different (anthro) capitals involved in the mix.

The thesis ends with a discussion of several key issues raised by the SFM, and some ideas and opportunities for where the research might go from here. Of particular importance is the need for an index based on the SFM, and some specialized applications in the socially responsible investment (SRI) arena.