Future Directions

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June 2016
AGENDA

1. Sustaincentric organisations
2. B Corporations
3. Place-based enterprises
4. Integrated Reporting
SUSTAINCENTRIC ORGANIZATIONS FOR SUSTAINABLE CITIES
The question now is “how organizations can manage their relationship with the natural environment so as not to destroy the very life-supporting foundations provided by nature.”

Winn & Pogutz, (2013)
What would be the characteristics of a ‘sustaincentric’ organization for a sustainable city?
Begin with asking what would be a ‘sustainable city’?

What are the minimum necessary conditions?
Shortfall = degrading the sustainability of the city?

We can translate these system conditions into a set of principles for future-fit business.


...8 ‘Sustaincentric’ principles for biosphere

<table>
<thead>
<tr>
<th>Sustainability Principles</th>
<th>Operational Principles</th>
<th>Sample Techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assimilation</td>
<td>Waste emissions ≤</td>
<td>Pollution prevention</td>
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<td></td>
<td>Natural assimilative capacity</td>
<td>Natural products</td>
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<td>Detoxification</td>
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<td>Biodegradability</td>
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<td>Low input agriculture</td>
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<td>Synthetic reduction</td>
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<td>Regeneration</td>
<td>Renewable harvest rate ≤</td>
<td>Sustained yield management</td>
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<td></td>
<td>Natural regeneration rate</td>
<td>Safe minimum standards</td>
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<td>Harvest certification</td>
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<td>Access restriction</td>
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<td>Exclusive harvest zones</td>
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<td>Resource right systems</td>
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<tr>
<td>Diversification</td>
<td>Biodiversity loss ≤</td>
<td>Biosphere reserves</td>
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<td></td>
<td>Biodiversity preservation</td>
<td>Extractive reserves</td>
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<td></td>
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<td>Buffer zones</td>
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<td>Polyculture farming</td>
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<td>Ecotourism</td>
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<td>Debt for nature swaps</td>
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<tr>
<td>Restoration</td>
<td>Ecosystem damage ≤</td>
<td>Reforestation</td>
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<td></td>
<td>Ecosystem rehabilitation</td>
<td>Mine reclamation</td>
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<td>Site decontamination</td>
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<td></td>
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<td>Bioremediation</td>
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<tr>
<td></td>
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<td>Species reintroduction</td>
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<tr>
<td></td>
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<td>Habitat restoration</td>
</tr>
</tbody>
</table>

Gladwin et al, 1995
### 8 'Sustaincentric' principles for biosphere

<table>
<thead>
<tr>
<th>Principle</th>
<th>Formula</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservation</td>
<td>Energy-matter throughput per unit of output (time 2) ( \leq ) Energy-matter throughput per unit of output (time 1)</td>
<td>Fuel efficiency, Mass transit, Cogeneration, Computer controls, Demand side management, Smart buildings</td>
</tr>
<tr>
<td>Dissipation</td>
<td>Energy-matter throughput (time 2) ( \leq ) Energy-matter throughput (time 1)</td>
<td>Depackaging, Durable design, Repair/reconditioning, Telecommuting, Bioregional sourcing, Dematerialization</td>
</tr>
<tr>
<td>Perpetuation</td>
<td>Nonrenewable resource depletion ( \leq ) Renewable resource substitution</td>
<td>Solar energy, Wind power, Hydrogen fuel, Bioenergy, Hydropower, Geothermal energy</td>
</tr>
<tr>
<td>Circulation</td>
<td>Virgin ( \div ) recycled material use (time 2) ( \leq ) Virgin ( \div ) recycled material use (time 1)</td>
<td>Closed-loop manufacturing, Industrial ecosystems, Internal recycling, Waste recovery, Design for disassembly, Water recirculation</td>
</tr>
</tbody>
</table>
Discussion: Sustaincentric Organisations and cities

Do all organisations need to be ‘future fit’ and adhere to the ‘8 sustaincentric principles for the biosphere’ for a ‘sustainable city’?

Why/why not?
– Can some organisations make up the shortfall of others/ create an operating space?

If all organisations were ‘future fit’ in a city would it be sustainable?
– What is the appropriate level of analysis? E.g. GHG know no borders!
Certified B Corporations

- **B Lab**, a nonprofit organization, certifies **B Corporations**, the same way TransFair certifies Fair Trade coffee or USGBC certifies LEED buildings.

  - [http://www.bcorporation.net/](http://www.bcorporation.net/)
What are B Corps?

https://www.bcorporation.net/what-are-b-corps
1min 56 secs
Certified B Corporations

DECLARATION OF INTERDEPENDENCE

We envision a global economy that uses business as a force for good.

This economy is comprised of a new type of corporation – the B Corporation – Which is purpose-driven and creates benefit for all stakeholders, not just shareholders.

As B Corporations and leaders of this emerging economy, we believe:

That we must be the change we seek in the world.

That all business ought to be conducted as if people and place mattered.

That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all.

To do so requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations.
Certified B Corporations

• Must align company goals with environmental and social benefits
  – Integrate B Lab commitments to stakeholders into company governing documents
  – Meet higher legal accountability standards

• Must meet criteria on social and environmental performance standards
  – Pass the B impact ratings system

• Pay an annual fee ranging from $500 to $50,000
HOW B CORPS COMPARE TO OTHER SUSTAINABLE BUSINESSES

By voluntarily meeting higher standards of transparency, accountability and performance, Certified B Corps are distinguishing themselves by offering a positive vision of a better way to do business. 750+ Certified B corps from 60 industries and 25 countries share one unifying goal: to redefine success in business.

- **Environmental Standards**: Suppliers meet specific social and environmental standards
- **Professional Development**: More than half of all employees receive paid professional development
- **Community Service**: Companies instill a culture of service by offering PTO to serve
- **Health Insurance**: Companies cover some portion of health insurance premiums for employees
- **Non C-Level Bonuses**: Companies reward non-executive employees with annual bonuses
- **Women Ownership**: Companies owned and operated by women

Who meets these standards?

- 29% of B Corps
- 21% of other sustainable businesses
- 11% of other sustainable businesses

Percentage of employees receiving...

- 87%
- 56%
- 55%
- 38%
- 35%
- 17%
B Corps are Improving the Quality of Life in their Community.

Compared to other sustainable businesses B Corps are:

- **68%** more likely to donate at least 10% of profits to charity
- **47%** more likely to use on-site renewable energy
- **18%** more likely to use suppliers from low-income communities

B Corps are **4x** more likely to give paid professional development opportunities

B Corps Create Higher Quality Jobs for their Workers.

Compared to other sustainable businesses B Corps are:

- **55%** more likely to cover at least some of health insurance costs for employees
- **45%** more likely to give bonuses to non-executive members
- **28%** more likely to have women & minorities in management

B Corps are **2.5x** more likely to give employees at least 20 hrs per year paid time off to volunteer in their community

https://www.pixelspoke.com/blog/content/became-b-corp/
Example Certified B Corporation: USA

World Centric

Zero Waste Solutions
Petaluma, California
United States
worldcentric.org

About World Centric
World Centric’s mission is to create a better world. They started out as a non-profit and now as a business, they remain an organization not driven by profits but by their values. They manufacture certified compostable products which replace single use plastics & Styrofoam disposables/packaging, donate 33% of their profits to projects to create social and environmental change.

B Impact Report
Certified since: December 2010

<table>
<thead>
<tr>
<th>Summary</th>
<th>Company Score</th>
<th>Median Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>37</td>
<td>7</td>
</tr>
<tr>
<td>Workers</td>
<td>24</td>
<td>18</td>
</tr>
<tr>
<td>Customers</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Community</td>
<td>43</td>
<td>17</td>
</tr>
<tr>
<td>Governance</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>Overall B Score</td>
<td>121</td>
<td>55</td>
</tr>
</tbody>
</table>

80 out of 200 is eligible for certification
*Of all businesses that have completed the B Impact Assessment
**Example Certified B Corporation: Bangladesh**

**AFC Health Ltd.**

**Hospitals, Pharmacy, Emergency care**

Dhaka, N/A
Bangladesh
www.afchealth.net

**About AFC Health Ltd.**

AFC Health exists to provide affordable, technologically superior and environment friendly healthcare services for the improvement of community they live in.

It aspires to be the most preferred healthcare services brand where they operate.

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**B Impact Report**

Certified since: January 2016

<table>
<thead>
<tr>
<th>Summary</th>
<th>Company Score</th>
<th>Median Score*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Workers</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Customers</td>
<td>28</td>
<td>N/A</td>
</tr>
<tr>
<td>Community</td>
<td>22</td>
<td>17</td>
</tr>
<tr>
<td>Governance</td>
<td>9</td>
<td>6</td>
</tr>
</tbody>
</table>

**Overall B Score**

85 / 55

80 out of 200 is eligible for certification
*Of all businesses that have completed the B Impact Assessment
*Median scores will not add up to overall
Benefit Corporation

- New US **Legal Status** for ‘for-profit’ enterprises: State-by-state basis (30 states)
- **Legally obliged to deliver societal benefits** (beyond the pecuniary interests of its shareholders)
- Do not need B Lab certification
- Existing companies can elect to become a benefit corporation by amending their governing documents.
- Amendment requires a 2/3 super-majority vote of all shareholders in most states.

http://benefitcorp.net/businesses
Benefit Corporation

• A statute-mandated corporate purpose of creating public benefit
• An option to state an additional purpose of creating a specific public benefit (e.g. 50% profits to charity)
• A duty to consider stakeholders
• A shareholder right of action to enforce the purpose of creating public benefit
• Mandated annual reporting according to a third-party standard

## Benefit Corp Vs Certified B Corp

### What's the Difference?

<table>
<thead>
<tr>
<th>Issue</th>
<th>Benefit Corporations</th>
<th>Certified B Corporations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountability</td>
<td>Directors required to consider impact on all stakeholders</td>
<td>Same</td>
</tr>
<tr>
<td>Transparency</td>
<td>Must publish public report of overall social and environmental performance assessed against a third party standard*</td>
<td>Same</td>
</tr>
<tr>
<td>Performance</td>
<td>Self-reported</td>
<td>Must achieve minimum verified score on B Impact Assessment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Recertification required every two years against evolving standard</td>
</tr>
<tr>
<td>Availability</td>
<td>Available for corporations only in 30 U.S. states and D.C.**</td>
<td>Available to every business regardless of corporate structure, state, or country of incorporation</td>
</tr>
<tr>
<td>Cost</td>
<td>State filing fees from $70-$200</td>
<td>B Lab certification fees from $500 to $50,000/year, based on revenues</td>
</tr>
</tbody>
</table>

Benefit Corporation & Certified B Corp

• Protects entrepreneur’s social goals. (Benefit Corp)

• Gives directors/managers legal protection to consider all stakeholders. (Benefit Corp)

• Differentiates companies to customers and investors.

• Helps meet demand for corporate accountability.

• HR benefits: motivation, retention, recruitment.

• Provides a benchmark of company environmental and social activities. (Certified B Corp)

• Community benefits including company and employee discounts (Certified B Corp)
Benefit Corporation & Certified B Corp

- Extended reporting requirements: “third party standard”

- Annual certification fees. (Certified B Corp)

- Need to continually meet minimum standard of environmental and social performance (Certified B Corp)
B Corp Impact on Cities

• “According to ICIC research, at least 60% of B Corps are located in urban markets.

• At least 19% of U.S.-based B Corps are headquartered in inner cities, compared to the 9% of businesses nationally that call inner cities home.

http://www.planetizen.com/node/71355
Discussion: Implications for Cities?

• What are the actual and potential impacts of B Corps on sustainable cities?

• To what extent can the B Corp movement achieve sustainable cities?
B Corp Impact on Cities

• **Address social problem**: 22% of B Corps sell a majority of products or services that directly address a social issue.

• **Charitable donations**: B Corps are 68% more likely to donate at least 10% of their profits to charity.

• **Inclusive employment**: 28% more likely to have over 30% management from previously excluded populations.

• **Pro-poor policies**: 18% more likely to use suppliers from low-income communities.

• **Community Volunteering**: 2.5 times more likely to give employees paid time off for community volunteering.

B Lab [http://www.bcorporation.net/sites/all/themes/adaptiveTheme/bcorp/pdfs/bcorp_index.pdf](http://www.bcorporation.net/sites/all/themes/adaptiveTheme/bcorp/pdfs/bcorp_index.pdf)
PLACE-BASED ENTERPRISE

to shop local is to love local
What is ‘place’?
The Multiple Determinants of Place

Geographic Location:
- Spatial coordinates
  - Topography
- Global Nature & Local Ecosystems

Locale:
- The set of informal and institutional relations within which a place is located
  - history, politics, culture, economics, community, organizations

Sense of Place:
- Interpretation, emotions & meanings
  - Built environment & “structure of feeling”
- people & sensory embodiment

(Guthey et al., 2014)
‘Rootless’ Multi-national organisations?

Multi-national organisations are **mobile** and have presence in multiple locations

**Lack commitment** or attachment to any particular place

Mercenary approach – **exploit resources** of place to further their economic goals

– commoditization of place as a natural resource (Mrozowski, 1999).

MNCs may “**indigenize**” their operations

– can go beyond greening and foster environmentally and socially sustainable outcomes

– **Become ‘Place sensitive’**

Shrivastava and Kennelly (2013: p.85)
Figure 1. Typology of organizations in place. Note. Adapted from Thomas and Cross (2007).

Shrivastava and Kennelly (2013, 91)
Place-Based Enterprise

PBES may be more likely than conventional enterprises to pursue locally beneficial economic, social, and environmental outcomes.

- **Tangible** (natural resources, human and social capital, etc.) and **intangible** (e.g., identity) links to place
- **Embeddedness in a place** - mindfulness of its complex links with the natural, built, and social environments
- **Ethos of care and precaution** to protect the quality of local environment (e.g. water, micro climates) and social capital that provide the uniqueness and character of product or service

Champagne region of France

Shrivastava and Kennelly (2013)
Place-Based Enterprise

Shrivastava and Kennelly (2013: p.94) propose four characteristics of PBEs:

(1) local ownership and control,
(2) production activities interdependent with place,
(3) complex multilayered relationships with place,
(4) an understanding that place is socially created and is more than mere location
Place-Based Enterprise

- Can you think of any organisations in your city that may be ‘place-based enterprises’?

www.rotterdamsekaas.nl/
Cleveland-based non-profit building a network of interconnected change agents across USA

Any individual, organization, business or governmental unit may join.

Creating **City Clusters** — a local group of cross-sector/discipline/generation leaders who network together as a team.

The organization itself is a **national platform** for City Clusters to virtually connect and share successes, challenges, lessons learned and best practices.

[https://ceosforcities.org/](https://ceosforcities.org/)
Place-based management of urban water resources
“Water is a classic common property resource. No one really owns the problem. Therefore, no one really owns the solution.”

Ban Ki-moon, UN Secretary General 2008
‘BRING ON THE SUB’
26TH June 2007 – Daily Mail

www.dailymail.co.uk-
The Manor

‘the worst estate in Britain’
David Blunkett MP (1996)
Sustainable Urban Drainage System (SUDS)

“a sequence of management practices and control structures designed to drain surface water in a more sustainable fashion than some conventional techniques”

The National SUDS Working Group (2004: 10)
Using SUDS to build place

“[the SUDS] fits in with the park ethos: water. We’ve already got streams and we want to, we want to grab this opportunity and make the most of it” (Parks Development Team, Source A, p. 6).

Place-Based Enterprise

• Initiated idea of using SUDS – opportunity to build place
• Funded feasibility study
“So it (SUDS scheme) was cheaper both in capital and even if you add on an endowment for long term future maintenance it was still cheaper.”

(Local Authority Regeneration Team, p. 3)
• Adjacent and naturally draining local district park
• Large, developing park open for land manipulation
• Existing watercourse which could act as an outfall
• Experienced SUDS architect – maximise visual, community and wildlife benefits
• Simple SUDS design for easy maintenance by PBE
“The park gets a **free feature**”

(SUDS Architect, p. 16)
Place-based sustainable urban water management

Kennedy et al (2016)
What is Integrated Reporting?

An organization’s value creation story

It explains how the organization will thrive in the short, medium and long term.

It requires thinking beyond financial profit, thinking much more broadly about what creates value and what presents risk to value creation.

Adams (2013, p.27)
What is Integrated Reporting?

Understand the value creation process organizations need to identify:

– Which capitals it relies on
– Elements of the external envt relevant to its mission and vision
– How the external environment and relationships with stakeholders influence its ability to create value
– Risks and opportunities
– *How the activities of the business convert the capitals into outputs (products, wastes) and outcomes (effects on the capitals)*

Adams (2013, p.46)
Value Creation Story
Integrated Thinking

“The active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated Thinking leads to integrated decision making and actions that consider the creation of value over the short, medium and long term.”
6 Types of Capital

1. Financial capital:
   - The **pool of funds** that is available to an organisation for use in the production of goods or the provision of services obtained through financing or generated through operations or investments.
   - E.g. Debt, Equity, Grants

2. Manufactured capital:
   - Manufactured **physical objects** that are available to an organisation for use in the production of goods or the provision of services.
   - E.g. Buildings, Production equipment and tools, Infrastructure

3. Intellectual capital:
   - Organisational, knowledge-based **intangibles**
   - **Intellectual property**, e.g. patents, copyrights, software, rights and licences
   - **Organisational capital**, e.g. tacit knowledge, systems, procedures and protocols
6 Types of Capital

4. Human capital:
   - People’s competencies, capabilities and experience, and their motivations to innovate,
   - E.g. employee turnover, training and education, occupational health and safety

5. Social and relationship capital:
   - The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being.
   - E.g. corruption, customer health and safety, human rights

6. Natural capital:
   - All renewable and non-renewable environmental stocks that provide goods and services that support the current and future prosperity of an organisation.
   - E.g. Air, water, land, forests, materials, minerals, energy
**Financial capital**
is the money we obtain from providers of capital that we use to support our business activities and invest in our strategy. Financial capital, which includes reserves generated through share capital, other equity-related funding and retained profits generated from our operations, is used to fund our business activities.

**Human capital**
refers to our people and how we select, manage and develop them. This enables them to utilise their skills, capabilities, knowledge and experience to improve and develop products and services that meet the needs of our customers and clients across the diverse regions in which we operate.

**Natural capital**
relates to the natural resources on which we depend to create value and returns for our stakeholders. As a financial services group we must deploy our financial capital in such a way that promotes the preservation or at least minimises the destruction of natural capital.

**Social and relationship capital**
is the cooperative relationships with our customers, clients, capital providers, regulators and other stakeholders that we create, develop and maintain to remain socially relevant and operate as a responsible corporate citizen.

** Manufactured capital**
is our tangible and intangible infrastructure that we use to conduct our business activities, including our IT assets.

**Intellectual capital**
which includes the knowledge of our people and our intellectual property, brand and reputation, is closely related to financial, human and manufactured capital given the nature of our business.
Objectives of Integrated Reporting

‘Information Function’

– Focus is on external reporting
– Responds to greater calls for openness and transparency
– Informing interested stakeholders about performance against targets

‘Transformative Function’

– Improve internal decision making based on capital dependencies
– Reveal valuable opportunities for value enhancement and help identify and manage risks
– Highlights gaps in systems or processes
– Helps develop internal integrated thinking about multi-dimensional performance and manage
Exercise: Integrated Reporting

1. Select a business within your city
2. Draw the organisation’s value creation story
   – What capitals drawn from the city does the business dependent upon?
   – What are the outcomes on the city’s capitals of the business’ outputs?
3. What risks/opportunities does this analysis offer?
Lecture Takeaways

1. Organisations may look to ‘Sustaincentric’ principles to understand their ‘true sustainability’.

2. New legal statuses for Benefit Corporations are appearing globally, enshrining the need to pursue sustainable city objectives into the company mission.

3. Place-based enterprises with local ownership and control and interdependence of activities with place offer strong potential to build and restore urban places.

4. Integrated Reporting is arriving as an external communications tool and internal change mechanism.
Homework: Elevator Pitch

• Pick a business operating in your city
• Select one of the four topics of the lecture
• Make a 2 minute video message to the CEO on the implications of topic to the company. For instance: Why should the firm become a ‘Certified B Corporation’? Why should the firm engage with ‘Integrated Reporting’?
• Post your video on the shared folder space
Thank you for your attention

Dr Steve Kennedy

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References


