OECD workshop: Measuring Business Impacts on People's Well-being

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SESSION 1: WELL-BEING AS A BUSINESS CONCEPT

Background

The OECD promotes a vision of well-being that emphasises people and society's opportunities to thrive in a wide range of dimensions, beyond economic living conditions and encompassing the factors that matter most to people's life. The OECD well-being framework puts also a focus on investing in resources that generate well-being outcomes in a sustainable manner, for instance human and social capital, as well as economic and natural capital.

Business strongly shapes the well-being of the ecosystem in which it operates and can strongly contribute to build the assets that underpin and sustain people's well-being over time. Companies have indeed a strong influence on the life of their employees, on the communities where they operate or to which they are indirectly connected (e.g. through supply chains) and on the life of the consumers that they serve. From shaping working conditions and employability of workers, to setting conditions for procurement and supply chain management and engaging with society in multiple ways, business organisations have a critical impact on people's and society's well-being.

Globalisation has intensified this influence, extending business' impact well beyond national borders. This has gone hand in hand with an increasing call for transparency and compliance of international standards of conduct, such as those recommended by the OECD Guidelines on Responsible Business Conduct for instance. At the same time, there is a growing awareness that business models that only focus on the short-term maximization of their shareholder's value have limited social impact and can undermine the sustainability of organisations in the medium to long run.

The session will discuss how well-being is currently inspiring new practices by companies and why this concept is gaining traction in both "new" and "old" business models. The session will first cover what is meant by well-being from a business perspective, as well as what dimensions of well-being are relevant and in which types of business contexts and realities. The session will then discuss why a well-being being vision is relevant and elaborate on the benefits that it may bring to business.

Key Questions

- *How does the concept of well-being resonate with business' understanding of performance beyond a purely financial perspective?*
- *What are the benefits for businesses to focus on well-being? Are well-being objectives compatible with financial markets expectations?*
- *How can businesses demonstrate social value creation?*
- *How are well-being and sustainability interrelated?*
- *How can a company move from a more "financial-oriented model" to a more "stakeholders-oriented model"? And how to overcome the dominant culture of shareholders' value maximisation?*

SESSION 2: WELL-BEING IN ACTION IN BUSINESS

Background

Well-being practices, defined as responsible business methods that create social value within and outside firms, provide numerous opportunities to thrive and succeed. This suggests that well-being can be an important vector of innovation and strategic differentiation while also enhancing the reputation of the firm.

Well-being objectives are becoming new strategic levers of organisations, directly affecting companies on three different levels. Firstly, specific business models are being adopted to respond to new human and social needs in a context of increasing awareness of business footprints on ecosystems. Growing examples of environment friendly fibres, low energy consumption, fair production and trade, and other sustainable practices illustrate the innovative solutions that businesses implement to adapt to a new societal environment that puts the well-being of people and the planet centre stage. Secondly, new corporate strategies are in turn being developed around the aim of creating equal value for each stakeholder. Finally, organization management adjusts as new internal processes are adopted, new indicators are used, new values are diffused and behaviour is re-oriented towards a well-being vision.

From multinationals to SMEs and start-ups, the movement to embrace well-being and sustainability considerations is growing. Unilever for instance has been a pioneer in this matter, pursuing a mission that aims to "decouple growth from environmental impact while increasing [its] positive social impact, drive profitable growth to [its] brands, save [its] costs and fuel innovation". This would have seemed utopic fifty years ago, yet today similar actions have been taken by numerous organisations such as Véolia and Sodexo. Similarly, Phenix, a French start-up founded in 2014, has undertaken to "give a second life to unsold goods" like food wastes, fabrics and material; this dedication to sustainability has gained the trust and support of its stakeholders. At the same time, many think tanks have published reports and several rankings have been established promoting the idea that companies that haven't embedded sustainability as a core priority won't be relevant in the future.

This session will showcase success stories on how well-being and sustainability have been embedded in the business model of companies. Various practices will be presented, each showing the well-being processes that have been put in place but also the challenges encountered, the resulting impacts both externally and within the company and how these have been assessed.

Key Questions

- *What were the main factors that led your organisation to adopt well-being and social impact projects and solutions?*
- *What are the main building blocks of these solutions?*
- *What are the critical elements of success of these solutions?*
- *How costly is it to develop well-being solutions and how to demonstrate that the investment will bear fruit? Can internal and external impacts be measured?*
- *What can be done, or what has been done, to integrate all your company's stakeholders?*

SESSION 3: TAKING STOCK OF WHAT IS NEEDED TO LEVERAGE BUSINESS PRACTICES ON WELL-BEING

Background

The emergence of well-being solutions and practices in business' operations and medium and long-term strategies suggests the potential value of investing in new frameworks that allow firms to strategically differentiate through their positive impact on their stakeholders.

Developing these frameworks is not straightforward however, and requires a transformational shift in most of the organisations' ways of being and doing. A 3-fold strategy must lead the new orientation of the firm. First, a shared vision of well-being objectives appears to be crucial; the commitment to the company's well-being objectives by external investors, shareholders and board members, as well as CEOs, managers and employees is essential and well-being objectives need to be harmonised and progressively embedded in the company's culture. Secondly, a new management model with a new organisation, a new information system, new metrics and incentives, need to be put in place in order to support the implementation of the well-being objectives. Finally, the whole organisation must be mobilized around innovation, requiring the development of new processes, new products and services, and more widely, of new business models.

The enabling factors to such a shift are specific to each industry. The path towards effective well-being solutions is neither standard nor linear. It needs to reconcile organisations' capacity to respond to short-term constraints (including financial performance) with the ability to generate greater social value within the organisation itself, as well as in its environment (including the whole value chain, the local areas where the company operates, and so forth). The challenge thus is to be able to measure the social value brought to the company, to its different stakeholders and to the environment at large.

The session will discuss the conditions for a successful integration of well-being in business practices, concentrating on how their impact can be measured, how new business models can be co-created with companies' stakeholders, and how to set the right incentives for developing an effective well-being business culture.

Key Questions

- *Through which processes and with which actors can well-being objectives be made operational? How can their successful achievement be demonstrated?*
- *What are the conditions for success of well-being solutions in business? How can one accelerate the momentum for adoption of these solutions within firms and industries?*
- *Adopting new well-being measures require large organisational and cultural changes within companies; how should potential resistance to these changes be handled?*
- *Given that well-being solutions and practices may apply to specific products and services or business environments, what is the scope for companies to share experiences and learn from one another?*
- *What type of external support will organisations' well-being strategies require?*

SESSION 4: MEASURING BUSINESS IMPACTS ON WELL-BEING: WHERE DO WE STAND?

Background

"We cannot manage what we cannot measure". There is an increasing recognition that the measurement scope of business performance needs to be extended beyond traditional measures of economic and financial profitability. This extension aims to capture a larger set of impacts that companies have on their whole ecosystem, spanning from ecological to social and ethical.

Whether the results of this extended assessment were specific to a few or to all business' actors, these metrics have already proved to have a significant impact on companies' and stakeholders' behaviour. A PwC's survey published in 2013 showed that "more than 90% of CEOs believe that measuring total impact would help their businesses to identify and manage their risks more effectively." It also showed that "more than 80% believe it would provide more insights than conventional reporting and identify new business opportunities".

The OECD Guidelines for Multinational Enterprises (2011) as well as the UN Global Compact have provided strong conceptual frameworks for understanding a company's impacts on its ecosystem. To some extent these frameworks have been operationalised through critical initiative such as the GRI (Global Reporting Initiative) that provides general standards for measuring sustainability. SASB (Sustainability Accounting Standards Board) primarily developed in the US, also set industry-specific sustainability accounting standards underpinned by rigorous evidence-based methodology.

New tools have conjointly been developed for companies that wish to report on Environmental, Social and Governmental (ESG) impact. The IIRC for instance promotes integrated reporting to better understand the interrelations across financial and non-financial areas of performance, while also providing a framework for forward-looking decision-making. The development of approaches that assess companies on their contribution to well-being is breeding and includes measures that have different uses (e.g. financial and investment rankings, internal management tools, etc.).

The session will take stock of some of most well-established methodologies and new tools for measuring business' impacts on well-being. It will discuss how well these instruments and approaches capture business impacts, whether their underlying measurement frameworks are robust, harmonised and coherent.

Key Questions

- *What are the strengths and weaknesses of existing methods and new tools to measure business impacts?*
- *How well do they capture the complexity of firms' impacts on well-being?*
- *To what extent are the various methods complementary? How well are their results aligned?*
- *To what extent do these approaches measure organisations' Responsible Business Conduct as formalised in the OECD Guidelines?*
- *How to judge the relevance and validity of these measures, given that there can be different definitions of well-being and sustainability?*

- *Do the SDGs provide a useful framework to promote the effective measurement of business impacts?*

BREAKOUT GROUP 1: USE OF WELL-BEING METRICS BY FIRMS AND INDUSTRIES

This group will discuss the coherence of well-being metrics used across different sectors and across different types of organisations. It will also discuss the use of well-being metrics by the governance system of the firm starting from the Board and the CEO and down to top and middle management. Finally it will touch upon the role of accountancy in the measurement of sustainability and how some societal changes are pushing audits into new fields. Key questions will include:

- *How can well-being metrics be effectively integrated in decision-making processes within all firms? Which ones are effective today?*
- *How to strike the balance between the need to harmonise measures of impacts across industries and types of firms (e.g. MNEs, SMEs, social enterprises) and the recognition that measures of performance should be context-specific?*
- *How can accountants provide objective information of what companies have done with respect to sustainability?*
- *What can we recommend for the future?*

BREAKOUT GROUP 2: FINANCIAL MARKETS AND INVESTORS' USE OF BUSINESS IMPACTS METRICS

This group will discuss whether markets and investors are effectively making use of the business impacts metrics currently available and how the policy environment (e.g. regulatory environment) could enhance the use of such metrics. It will compare the experience of various financial markets, types of investors and countries and discuss the following aspects:

- *What is needed to make metrics appealing to markets and investors (timeliness, simplicity, transparency...)?*
- *Should business impact reporting be mandatory or just incentivised?*
- *Are the existing norms (e.g. green stock) efficient? What could we recommend for the future?*

BREAKOUT GROUP 3: CONSUMERS' AND SOCIETY'S USE OF BUSINESS IMPACT METRICS

This group will discuss the extent to which consumers and society make systematic use of business impact metrics; whether these metrics modify their behaviour and what conditions should be filled (e.g. user-friendliness) for encouraging uptake and diffusion. Key issues to be discussed include:

- *What is the potential for aligning measurement instruments used in different sectors and which actors could be involved in the process? How to reconcile specific and global perspectives?*

- *How do business impact metrics contribute to change firms' reputation and "social capital"?*
- *What are the optimal features of such metrics from the perspective of shaping consumers' behaviour?*

CONCLUDING PANEL: WHAT ROLE FOR THE OECD TO SHAPE THE AGENDA ON MEASURING BUSINESS IMPACTS ON WELL-BEING?

Applying a well-being lens to business' strategies and operations has a strong appeal, but its proof of concept remains to be fully established. One important aspect is to understand whether a well-being framework actually works in practice, i.e. does it lead to higher well-being of firms' stakeholders? Answering this question requires strengthening the existing measurement tools that are needed to capture reliably and exhaustively the financial and non-financial impacts of organisations.

The OECD has already significantly advanced the well-being measurement agenda at macro level and from the perspective of informing public policies, but it has not yet engaged in measuring how business is contributing to improve (or reduce) people and society's well-being.

There is growing demand from business leaders and actors for developing a set of credible metrics that track progress on firms' responsible behaviours and impacts on well-being. Building on its long-standing expertise on measuring well-being and on Responsible Business Conduct, the OECD could respond to such a demand by launching a process of co-construction of metrics in collaboration with the business sector.

More specifically, the OECD could play a leadership role in:

- Spurring standardisation of measurement tools across companies and industries, working with representatives of industries in different countries to adjust measurement practices to specific contexts;
- Promoting consistency with similar tools for public policies (e.g. the OECD Better Life Index), non-profit organizations and civil society;
- Consolidating, promoting and institutionalising measurement practices at national and global levels.

The panel will reflect on the following questions:

- *What needs to be prioritised in this agenda?*
- *What role can the OECD play to promote an informed dialogue with the view to co-create and co-promote new measurement systems that are useful to all?*
- *How can the OECD facilitate the harmonisation of impacts metrics across different business realities and the coherence with well-being metrics used by policy-makers and citizens?*
- *What are the main methodological and institutional challenges to ensure effective uptake of impact measures?*