Q&A on Sustainability, Business and the SDGs with Zak Wood

Interviewer: Gareth Byatt – Principal Consultant, Risk Insight Consulting
Interviewee: Zak Wood, Owner of DBK Advisory and Satarla Associate

February 2020

Zak,

Thank you for making the time to talk to me about the activities of DBK Advisory. I understand that you established this Advisory practice to help medium to large companies, and industry bodies, to define and communicate their value to society, using the UN Sustainable Development Goals (the SDGs) as the base framework to do so.

Could you provide an overview of how you decided to go about setting up your business?

Zak: *DBK was born out of two businesses, Thoreau Consulting and The Narrative Lab, that have been working together on elements of this activity. Thoreau Consulting focuses on providing project risk management, safety and sustainability advisory services, while The Narrative Lab supports organisations in setting internal and external narratives. Our work has centred on helping clients to understand their world from a systems perspective. By this, we mean the context in which we operate within an overarching system. We have broadened our approach, to create DBK Advisory.*

Perhaps it's easier to look at the origins of how we began the process. One of the major challenges I and others see in modern organisations is that we "talk" about systems and integration, but we tend to act in silos and focus on a few small targets rather than considering a complete (and I would want to use the word holistic here, if it hadn't been twisted so badly) image of the organisation.

Historically, when we talk about the value of a company, we talk about market capitalisation, or we describe it in financial terms – typically revenue and/or profits. We're slowly starting to talk about the broader value of a company and good they do, talking triple bottom line, six capitals, etc.

Everything an organisation does has an impact, positive or negative, and we believe that the SDGs are a well-rounded, comprehensive enough framework to be able to understand an organisation's WHOLE value.

Gareth: Thanks for this explanation, Zak. Do you take a "systems and data" view on performance against the SDGs, and do you provide companies and industry bodies with a "snapshot" of where they stand against the SDGs? If so, what do they do with it once they have it?

Zak: *We are working with clients to help them to understand how to take very broad goals, in the SDGs, and make them tangible for what they do.*

The Goals were written for countries, let's be clear on that. But companies and organisations are the ones that have to deliver on / achieve these goals. We are trying to give our clients a clear and defensible view of how they are impacting the national and global achievement of those goals.

For us, this means mapping the activities of an organisation against a series of categories that we have developed against the SDGs, to help clients see what they're adding, and/or what opportunities they might be missing
It's essentially a "translation layer" that we use to develop this solid, process driven and traceable view.

Gareth: Is the model the same for all clients?

Zak: *That's a fair question. The translation layer has to be consistent.*
One of the reasons that we like using the SDGs as our lens is that it provides a consistent view, across industries, sectors and indeed across the world. The SDGs provide investors with common comparators.
We use a "ripple-weighted method", where we apportion capital and operational spend (which is "hard data" that we can use) of companies to the SDGs.

Let's consider an example. If you help to fund a new school in a developing country as part of your contribution to society, you are providing value to SDG 4, which is about providing quality education.
The easy thing to say is "we built it for $10m" and leaving it at that.
The way we look at it, we say, yes this is fine, but actually you have also created infrastructure, employment and you are helping towards other goals such as gender equality. Hence, the "ripple-weighted" term.

There's a bit more detail to this in the mapping that we provide. When we outline our approach to clients, they see how it shows how they are making a broad, tangible difference – it's providing them with a clearer picture on the whole value being created from what they are investing towards.
So, what are the base elements of our model. We look at (1) consequential and (2) intentional activities.

1. ***Consequential*** *means the cost of sustaining a business. What would that cost you.*
2. ***Intentional*** *means what you are doing to grow, improve processes or create a sustainable change.*

We believe the intentional activities in particular provide the best picture of your company's honest intent, be that in taxes paid, in capital growth to employ more people, or in creating improvements in the communities they serve.

This is why the data-driven approach is, we feel, important. It's a basis of fact – what you are doing, and what you are spending money on. We can use these hard facts to create tangible measurements, which in turn can be valuable information for discussions with investors and other stakeholders regarding the complete contribution to the economy and society.

Gareth: Is it easy to split the numbers out into identifiable elements?

Zak: *We have to work with our clients on this. Clients need to focus on the greater value.*

One of our mantras is, shift away from the idea of a certain number of focus points – look at what you do holistically, consider and report against all of the SDGS. Take a rounded view, even when what you contribute to certain elements is not at first apparent or obvious. By all means, select a few that you then decide to focus your efforts on, because you may feel that's where you have the most leverage, but always keep a view of the complete picture.

Gareth: Do you get involved with investors on responsible investing – that is to say, where they should best invest their funds? Or do you provide companies with advice on what investors may be wanting to look at?

I interviewed the team at the Environment, Sustainability and Governance (ESG) Analyst Sustainalytics in 2019, and it was very interesting to hear their viewpoint about how investors are increasingly choosing where they place their funds based on the efforts that businesses, and industries as a whole, are putting into responding to all aspects of the SDGs and their ESG performance.

Zak: *We have started to have a few conversations on this, and there is a balance to be struck here.*

The SDGs provide a holistic view for investors to use, to look at many different companies with the same lens. It doesn't matter how the company has developed their SDG view, whether it's our methodology or another – there is some level of using them as a consistent indicator of intent.

Coming out of the data-driven picture that I described, we help to build a narrative of what a company has been focusing on, and what they want to focus on (including consequential and intentional activities).

It then becomes "how do we communicate this to investors?", and our history with The Narrative Lab sets us up here, helps us to structure and present that narrative clearly.

You want to understand what investors see, whilst also make sure that you have a clear picture of where you need to head with your strategy.

Gareth: Are you using any type of "Sustainability or SDGs maturity model" to help companies and industry bodies see where they are today, perhaps in their sector or across sectors, and where they would like to be in future? If not, do you see this adding value in future?

Zak: *I do see a maturity model in reporting against the SDGs – that is, moving from estimates to data-driven understanding, to embedding this in a strategy.*
We are looking at seeing if we can take an industry collective view. This can lead to powerful forces greater than one company.

This type of approach can and should be seen as collaborative for the greater good, rather than competitive. It's about ensuring that we can all survive. By working together, we achieve a greater value-add.

Second, a maturity model on how a particular company works towards the SDGs is more nuanced viewpoint, and that's something we are working on.
One of the big opportunities for organisations using a common method is to be able to compare results. For example, say company A is spending $Xm and seeing a particular return, yet company B is spending $Ym and is getting more value. Can we share what's happening in such examples, so that everyone can learn how to maximise their value to society?

Gareth: Can the use of good risk management techniques and tools help them to work out what they need to be doing?

Zak: *I see all of this as being tied to having a strong risk management process. At a very broad level, we have a global systemic risk of a mass failure of capitalism. I don't want to sound overly dramatic, but we need to globally focus on achieving collective goals for a more equitable society, otherwise the shift becomes a collapse.*

Here at DBK Advisory, we have built for one of our clients a model where we have linked their organisational risk aspects to sustainability focus areas, and in turn linked those to the SDGs. So, we see a strong connection flowing through between Risk and Sustainability.

I don't see the SDGs as a specific set of targets to focus on from a company perspective. I see them as a good lens to see performance, related to what a company does (what it makes, manufactures, produces, sells, exports).

It's not about the cart leading the horse. The company has an objective, with a strategy. The SDGs, in this paradigm that we're discussing, are a way of looking at its performance to assess what it is achieving in total, and to be able to present that to the world Of course achieving the SDGs at a national and global level is enormously important, but I think organisations need to focus on their business, and a consequence of good business practice means the Goals will be achieved.

Gareth: What would you say are the broad trends that people who work in Sustainability and Risk departments of organisations should be focusing on? I'm wondering about both strategic risks (opportunities as well as threats) that they need to be advising their Executive teams about.

Zak: *Well, to distil them at an Executive level:*

1. *There is a rising change of focus around responsibility of companies taking place around the world at the moment, and you need to be in tune with it.*
2. *How do you prepare your company / organisation for whatever that future might look like? You need a more robust organisation that is able to deal with quite nebulous and inter-related risks.*

There is a growing ethical investment trend, and more and more focus on this. More indexes around the world are focusing on responsible investing – so this is very real, in all sectors.

This investment base needs, and is demanding, a common framework to be able to understand what companies are doing, and which companies are best to invest in. At the moment the SDGs provide this framework.

It's consistent and relatively easy, with a good process, to develop a view on what you are delivering.

Gareth: Thank you very much for your time, Zak. I wish you all the best with your continued activities in this developing space.