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## UN FORUM SERIES – “Outside-In” and “Inside-Out” Human Rights Measurement Tools: How Numbers Can Become the Lingua Franca of Business and Human Rights

0 comments

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*This post was contributed by Michael A. Santoro, Professor of Management and Global Business at Rutgers Business School and Co-Editor of Business and Human Rights Journal.*

In July 2015, the Secretary-General of the United Nations transmitted a **report** to the General Assembly prepared by the Working Group on human rights and transnational corporations and other business enterprises. The Working Group's report comprehensively lays out the importance of measurement to the implementation of the UN Guiding Principles on Business and Human Rights.

The Working Group's emphasis on metrics aligns with the UN's implementation strategy for the 17 **Sustainable Development Goals** adopted this past September. The emphasis on measurement and numbers are in part designed to

engage the attention and energy of the business community to further global social goals by talking in the language that business understands.

In regard to the corporate responsibility to respect human rights in Pillar 2 of the UNGPs, the principal concern of the Working Group report is what might be characterized as “outside-in” accountability.

Measurement is critical to enabling outside stakeholders—including states, which under Pillar I have the duty to protect against human rights abuses by business enterprises—to assess the extent to which companies are in fact achieving responsibility for protecting human rights. Initiatives such as the **Global Reporting Initiative** and the **UN Guiding Principles Reporting Framework** afford companies the opportunity to, in the words of the Working Group, “know and show how they are meeting the responsibility to respect human rights”, i.e. demonstrate accountability for human rights impacts to external stakeholders ranging from states and non-governmental organizations to socially conscious investors and indigenous groups affected by transnational business operations.

In addition to its role in fostering “outside-in” accountability, the Working Group report acknowledges that measurement is also an indispensable “inside-out” management tool.

As a business school professor, I am reminded daily by my colleagues and students of one of the most important management principles of the successful business executive: “if you can’t measure something it won’t get done.” Business executives manage by numbers. Profit and loss, sales growth, and stock price are just a few of the important numbers that drive managers. If the Pillar 2 business responsibility for human rights is ever to become a reality, then human rights advocates will have to develop a set of numbers that have the same clarity and motivational impact as traditional business “bottom line” measurements.

Another important point to bear in mind is that until managers are compensated for their human rights impacts as well as their impact on traditional bottom line financial performance, corporate responsibility for human rights will remain an “outside-in” matter of accountability imposed by external stakeholders. For human rights impacts to become internalized as part of the “inside-out” management of companies, BHR measurement tools must become an important component of how executives are compensated by boards of

directors. So, for example, bonuses for achieving revenue and profit metrics should be larger when the growth is attained while improving a company's human rights impact metrics.

The idea that human rights metrics will become part of the strategy and operations of business enterprises is not a pipedream. Many companies are already using "inside-out" metrics to assess and manage the costs and impacts of their own voluntary corporate responsibility efforts.

In its **2012 Annual Report**, Swiss-based Novartis embraced the goal of increasing the number of patients who will have access to the company's medicines and vaccines. The company valued its corporate responsibility programs at \$2 billion and estimated that it had reached 100 million patients. Many of these patients benefited from lifesaving drugs distributed through the **Novartis Malaria Initiative** that emerged from a 2001 agreement with the World Health Organization.

Interestingly, some of the most innovative "inside-out" thinking about how to incorporate human rights impacts into daily operations is going on at sporting good companies that were once synonymous with egregious violations of global labor rights. For instance, German-based Puma has developed an **"Environmental Profit & Loss Account"** which attempts to measure environmental impacts along the company's entire supply chain.

United States-based Nike is attempting to "rewire" itself from a company whose 1997 Annual Report brazenly declared "we are not here to eliminate poverty and famine" to one where executives are rewarded for sustainability metrics that include human rights impacts. As Nike's Chief Operating Officer Eric Sprunk states in a recently published **Harvard Business School case**, the idea is "to tie the impact of the decision making with the decision makers so that we weren't having kind of a compliance arm versus a business arm; we just have a business arm doing the best thing for our profits, for our shareholders, for our consumers, for the world."

Human rights advocates and business executives often seem to be talking different languages. Measurement and numbers hold forth the possibility of becoming the *lingua franca* of business and human rights. When those seeking to hold companies accountable for human rights impacts from "outside in" begin to speak in the same language as business executives managing a

company from “inside out” then we will be at a point where the UN Guiding Principles can move to the next stage of widespread acceptance and implementation.

The UN Working Group’s July report on measurement represents a watershed moment in this process. If there is one thing business and human rights advocates can now agree on, it is that “if you can’t measure something, it won’t get done.”

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