

# SGS Foundation Statement

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# SGS: A values-based college of professionals



SGS Economics and Planning (SGS) brings together professionals who are passionate about research and policy work that promotes the public interest. We work with a range of public and private sector clients to influence policy and investment decisions to help create more sustainable places, communities and economies.

Our vision is to be a college of professionals that provides Australia's most respected independent public policy advice.

Our values are:

- **Independence**, ethics and integrity
- **Insight**, research, innovation and relevance
- **Quality**, thoughtfulness, rigour and reliability
- **Collegiality**, respect, support, inclusiveness and passion
- **Knowledge** seeking and sharing, to inspire colleagues, partners and clients
- **The public interest**, and social, economic, environmental, cultural and governance sustainability

### Company structure: How is SGS different?

Our values differentiate us from conventional businesses – they are what makes us a college of professionals. We are different from our peers in four important areas:

1. We are first and foremost for the public interest. We run a business to support our practice in public policy, rather than practicing public policy for the business returns.
2. We have a mutualised ownership structure. Once employees have demonstrated proficiency in consulting or management, and show commitment to our values and purpose, they are invited to become partners. This occurs at a much earlier stage in their careers and at a lower investment cost than in equivalent firms. This investment is a subscription for membership of the college of professionals.

3. Our partners receive an attractive rate of return on their subscription, decided by the Board based on guidelines for profit distribution. In line with our ambition to positively influence public policy, we also prioritise investment in all our people.
4. Our staff members are shareholders and this comes, as a minimum, with an entitlement to vote one staff member on to the Board.

Our Board includes a minimum of six Directors, with at least three Directors elected by Partners, up to two Non-Executive Directors, and one Director elected by staff. We have a flat management structure. Our Partners and Principals (most senior consultants) are actively involved with consulting work as well as company management.

### The college of professionals: What does it mean?

The 'college' term was instituted when we restructured in 2011. This was no accident; the term reflects our commitment to align our structure to our purpose.

In a conventional advisory business, consultants work for the client - hopefully, with the public interest in mind. But, in addition, they must work for the owners of the business, and the interests of the owners won't always align with the public interest.

By comparison, we strive to make consultants the owners, without the capital gain incentive, thereby removing obstacles to consistent service in the public interest.

This alignment – our 'college of professionals' - means we share an unambiguous and consistent motivation to work for each other to leverage our impact on good public policy – leading to more sustainable places and economies.

This gives rise to our stated values and also gives us a powerful business advantage. Surpluses are, in large part, ploughed back into rewarding and developing our people. We aspire to be the best payer in the industry to draw in the best people from the likeminded talent pool.

### Creating the 'new' SGS

From the company's inception in 1991, the Directors had a vision for SGS to be a company that promotes the public interest.

For our first 11 years we operated with a partnership ownership and governance model, though as we expanded, it became clear that this model was not scalable while also maintaining the public interest ethos.

For example, all profits had to be distributed to the owning partners/Directors, which provided little scope for retained earnings to provide a buffer against downturns or to invest in future expansion. The financial barriers to enter the partnership and become a Director- and the cost to pay out a departing partner - were becoming prohibitive.

Furthermore, a Director had the triple roles of company owner, board member and most senior consultant. This meant that a promising and ambitious staff member couldn't achieve ultimate consultant status unless they were prepared to buy into the firm and become an owner and Director. At board level, Directors were conflicted in making strategic decisions consistent with the firm's public interest values and ethos while also protecting their financial interest as owners.

The 'old' SGS Directors recognised these governance agreements were increasingly restrictive. An internal reform process was commenced and by September 2011 the new SGS was 'launched' as a Proprietary Limited Company.

# Our values in practice



We've chosen our values carefully and have deliberately structured our governance, operations and the type of work we do so that we can put these values into practice.

### Independence, ethics and integrity

We are clear about our vision and what we are seeking to be. Our ownership structure is effectively held in trust by the broad base of partners, allowing us to genuinely claim to be independent and able to make ethical choices about the work we do while acting with integrity.

In this regard, we have independence in terms of our vision, values and goals – and in particular our judgement as to the public interest merits of any commission we accept. Importantly, being independent and acting with integrity means we only accept commissions that allow us to advocate for a view that we believe is in the public interest.

We strive to reflect the most contemporary understanding of ethical behaviour. We do not discriminate in who we employ and how we treat each other as colleagues, and we practise environmentally sustainable behaviour. We only work on projects that conform to these ethical standards and we only choose to work for clients who operate to these ethical standards, given what we can reasonably know about them and their practices – though if the project they are proposing represents a worthy reform to current practices we would consider it on its public interest merits. We will only work for clients who comply with labour, corporate or other laws and who are free of corruption.

### Insight, research, innovation and relevance

Our core brand is our problem solving skills, which are based on insight, research, innovation and relevance.

While our clients expect insights and innovation, we will continue to challenge ourselves internally every day in this regard. We are excited by good research, and expect to be cited amongst influential reference material in policy analysis and assessments, in academic papers and in the mainstream media.

We are comfortable as peers to university academics in policy research fields and, in our consulting context, our focus on both theory and practice provides a unique research offer that leads to practical solutions. Policy insights, innovation and relevance come from sound theoretical underpinnings based on sound research, married with constantly updated knowledge of political and public administration contexts. We respect evidence and empiricism and strive to add value with each assignment.

### Quality, thoughtfulness, rigour and reliability

We believe that the logic of problem solving should be as explicit as possible. We should prosecute our arguments on the basis of quality data, graphics, writing and presentational material.

This will make it clear to our clients that we apply our very best thinking to their problem or policy dilemma. We prioritise quality and these related values above convention and mere assertion. We will tailor our solutions to client requirements and their openness to new techniques, applying thoughtfulness, rigour and reliability when offering solutions to clients. Ultimately these values should hold for every assignment we undertake.

### Collegiality, respect, support, inclusiveness and passion

A collegiate and supportive culture is fundamental. Among other things this means:

- We are generous in our time with each other and support continuous learning. We actively share valuable knowledge across the organisation.
- Consultants are open with their client relationships and look to build these relationships with SGS as a whole rather than individual SGS staff.
- We value the contribution of all members. We respect all staff, expect all staff to respect each other, regardless of gender, race or status.
- We are grateful and humbled that staff choose to work for us; no staff member will feel they owe us anything.
- We support our staff to pursue individual passions where this is consistent with our purpose, vision and values.
- We provide a degree of flexibility in working arrangements, where warranted.

We strive to balance the chargeable targets of individual consultants against appropriate investment in staff, a client or skills. This recognises the trade-off between individual accountability and promoting true thought leadership or innovation. We should strive to negotiate this trade-off with our critical collegiality value in mind.

### Knowledge seeking and sharing, inspiring colleagues, partners and clients

We promote open communication of ideas and are not overly possessive about the knowledge we generate, reasoning that the next innovation and idea is the one to strive for.

We should be externally focused and, as a consequence, continually generate opportunities for learning. The flow of ideas, from both external and internal sources, is our lifeblood. We welcome and debate the breakthroughs and innovations of our competitors, insightful academic research, trade articles and conference proceedings, current news stories and lessons from local and international case studies.

An external and continuous learning focus allows staff to gain insights from outside the organisation and challenge existing norms, techniques and approaches.

This rewards staff development creates greater scope for innovation. We value new knowledge and continually find ways to share it internally and feature it in our work and external communications.

### The public interest, and social, economic, environmental, cultural and governance sustainability

Our definition of the public interest- and the linked concept of social, economic, environmental, cultural and governance sustainability – requires us to elevate the overall welfare of the community above sectional interests or perspectives. We ensure that the community benefits of policies and investment decisions outweigh the community costs – generating an outcome of net community benefit.

Community benefits can be generated by any combination of positive and enduring outcomes across social, economic, environmental, cultural and governance aspects of a policy issue or project.

Our interpretation of the public interest anticipates that not every segment of the community will necessarily benefit, and in being clear that this may be the case we work to maximise overall community welfare albeit from an equity perspective.

From a corporate governance point of view, a public interest objective simplifies and clarifies strategic and business planning – our staff will not find themselves conflicted when working for clients with opposing positions, for example.

Our skill set and public interest aims position us to assist governments in their public policy decisions and companies seeking to create 'shared value, which is about creating economic value while also creating value for society by addressing its needs and challenges. It is distinct from corporate social responsibility, philanthropy or even sustainability, and implies that a competitive edge and enhanced profitability can be generated from corporate policies and practices that enhance the competitive advantage and profitability of the company while simultaneously advancing social and economic conditions in the communities in which it sells and operates.

Ultimately our reputation as public interest advocates provides us with a competitive edge for clients seeking an independent public interest test on projects, proposals or policies.

# Our values at work

## 1. The project/matter/opportunity is in the public interest

The public interest test will be whether an enduring net community benefit is likely to be realised by the project or matter under consideration.

We should stay true to our values, and where necessary be prepared to criticise government policy or investment decisions that are unlikely to generate net community benefit. We should be prepared to support private projects that we believe can deliver public benefits.

Our consultants may have different opinions in this regard, and while we may not always achieve a consensus we should strive for a shared understanding. We should not proceed until a full and inclusive discussion is held across the firm.

## 3. Our independence is acknowledged and preserved

Our independence is our stock in trade. It is the enduring characteristics that differentiates us from many peer organisations.

The clearest manifestation of our independence is that we will always put the public interest ahead of the paying client's interest.

Where a client is not prepared to accept this principle we should not proceed with the project.

## 2. The project/matter/opportunity promotes a fair and inclusive society

We should apply this test to ensure the projects we work on generate both net community benefits in aggregate while also addressing disadvantage (or at least not make this worse).

This equity perspective expects that benefits will be fairly spread across different communities, including across geographies, rather than entrenching pre-existing advantages.

## 4. Our good name is not captured or compromised

Similarly, we will not get involved in work that could co-opt our reputation to further an agenda that does not align to our values and the public interest.

Even if we have free reign to be independent in our advice, we do not want to lend credibility to policy propositions or organisation with dubious public interest credentials.

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