



## STEPPING UP THE PACE

### Why acceleration is needed... and feasible. The post-2020 agenda

**September 2015: a moment of optimism.** The Sustainable Development Goals (SDGs) were adopted. All 193 United Nations member countries unanimously committed to achieving 17 ambitious global goals by 2030 – ranging from ending poverty in all its forms and providing access to health and education for all, to adequately addressing climate change and creating peace and justice. These goals were established following a massive, two-three years process of global multi-stakeholder consultation in which hundreds of big and small corporations, governments, civil society groups, knowledge institutes and other organizations participated. To date, the SDGs arguably are the most all-encompassing, ambitious as well as much needed action-oriented agenda for progress on a global scale, ever agreed upon by humankind.

In order to realize the SDGs, the active participation of corporations is considered vital. This new reasoning signals a notable shift away from traditional ways of thinking about sustainable development issues that considered this area to be predominantly ‘government territory’. Companies – big and small, local and multinational, in all sectors of society – have a crucial role to play, according to the UN: *“We acknowledge the role of the diverse private sector, ranging from micro-enterprises to cooperatives to multinationals... in the implementation of the new Agenda”* (United Nations, 2015: 10). Then UN Secretary-General Ban Ki-moon even designated companies the most dynamic role in the SDG-endeavour: *“Governments must take the lead in living up to their pledges. At the same time, I am counting on the private sector to drive success”* (UN News Centre, 2015).

The business logic to engage and contribute was clear: achieving the SDGs was assessed to unlock an estimated annual US\$12 trillion in business opportunities (Business and Sustainable Development Commission, 2017) for companies able to come up with innovative sustainable solutions and inclusive business models. Many companies consequently embraced the Global Goals. In 2016, 87% of CEOs believed that the SDGs provide an opportunity to rethink approaches to sustainable value creation, while 78% already recognized opportunities to contribute through integrating the SDGs into their core business (UN Global Compact & Accenture Strategy, 2016). International guideline organizations like the Global Reporting Initiative and UN Global Compact developed tools to support companies to integrate SDGs into their strategies and reporting activities. International organizations like the World Business

Council for Sustainable Development and the World Economic Forum unequivocally embraced the SDGs as well and encouraged their members to become active and engage more deeply as a strong and positive influence on society.

**September 2018-2019: moments of realism.** UN Secretary-General António Guterres warns that the world is ‘not on track’ as the implementation of the SDGs is going too slowly to meet the 2030 deadline. His call intends to ‘inject a sense of urgency’ for immediate, accelerated action by all countries and stakeholders at all levels. According to the annual check-up report on the SDGs – released in June 2018 – progress on the SDGs proved uneven and was not moving fast enough on almost all accounts (UN, 2018). The 2019 SDG progress report repeated this message in even stronger wording. Inequality is widening, hunger is on the rise, biodiversity is eroding at an alarming rate, climate change threatens all SDGs. It proves particularly difficult to deal with contradictory developments in the world economy at a very critical moment in time. The lower GDP growth, conflict, climate change and growing inequalities add more challenges to the rise in world hunger and the forced displacement of millions of people. Progress – ambitioned to be inclusive to ‘leave no-one behind’ – has not been reaching the people who need it most. Perhaps the Global Goals were too optimistic? Perhaps they require more time to implement? Surely additional, more specific, timely and better data and indicators are needed to track and steer on developments? Vital in all considerations remains the question of why companies are relatively slow in actively adopting the SDGs and how their performance can be improved. This question is all the more important because of the leading role ascribed to the private sector – representing 75% of global GDP (Guterres, 2019) – in achieving the SDGs. As developments are not materializing at the required scale and speed, profound change is needed that goes “beyond business as usual” (UN, 2018: 3).

**January 2020: a rude awakening.** The COVID-19 pandemic hits the world. ‘Business as usual’ is not even possible anymore. Countries around the world are in a complete lockdown, global trade collapses, and governments are caught ill-prepared. The global health crisis triggers a profound economic crisis, with a decline in global economic activity on a scale not seen since the Great Depression. To most observers, the Corona pandemic reveals a number of systems failures, systemic hazards and fragilities closely related to the organization of global political, financial, social and economic systems, and the increased rivalry between different models of development. The 2020 SDG progress report, issued by the UN secretariat in May 2020, concludes that “*what began as a health crisis has quickly become the worst human and economic crisis of our lifetime. (...) Had we been further advanced in meeting the SDGs, we could better face this challenge – with stronger health systems, fewer people living in extreme poverty, less gender inequality, a healthier natural environment, and more resilient societies*” (UN, 2020: 2, 11). More than ever, the SDG-agenda seems to serve as a necessary, timely, coordinated, and positive way out of present and future crises. How to accelerate its implementation during challenging times, in which many countries are inclined to retreat behind closed borders? By September 2020, the UN decided to ‘relaunch’ the SDG venture, for which now – more than ever – vigorous private sector support is needed.

## Never waste a good crisis

When we focus on the role of business, the current status is that business ambitions, efforts and execution are not (yet) measuring up to the size, scale and complexity of the challenge, despite growing commitment of the global business community. The UN Global Compact Progress Report 2020, for instance, found that whereas 84% of signatories report taking specific action to advance the SDGs, only 46% are implementing the SDGs into their core operations and only 37% are designing business models that contribute to the SDGs. “*Corporate goals are generally not sufficiently ambitious*” (ibid: 18). The UN Global Compact/Accenture CEO survey of 2019 found that 71% of CEOs recognize the critical role that business could play in contributing to the delivery of the Global Goals, but a mere 21% agree that business is actually playing that role. In 2018, the World Business Council for Sustainable Development conducted a global survey to explore trends in the way business has been working to align their activities with the SDGs (WBCSD & DNV GL, 2018). The WBCSD found that companies, in particular, embrace the SDGs as an opportunity to innovate, gain a reputation and create a better focus on sustainability strategies. Yet progress is slow and gradual, partly because the SDGs are adopted at an overly general level, and often without clear priorities.

**The post-2020 agenda.** The first results of corporate involvement around the world hint at several gaps in the theoretical and practical knowledge on how companies can substantially increase their contribution to societal challenges – in particular, grand challenges like the SDGs. Companies are faced with five interrelated challenges:

1. **Materiality challenge:** How to make the SDGs part of core business and integrate them into long-term and short-term corporate strategies. Area of attention: shared/societal/sustainable value creation, social entrepreneurship, and leadership;
2. **Risk avoidance orientation:** How to go beyond relatively ‘easy’ SDG-targets as part of a risk mitigation and reactive stance in support of the SDGs, to a more proactive stance; from ‘avoid doing harm’ to ‘doing good’. Area of attention: business model innovation strategies; internal alignment between functional areas of management and transition management, in particular in finance, marketing, Human Resource Management, innovation, and supply chain management;
3. **Nexus challenge:** How to translate the SDG-agenda at the target level into a meaningful and actionable combination of corporate interventions to leverage beneficial impact. Area of attention: business model innovation and social *intrapreneurship*;
4. **Partnering challenge:** How to include other societal actors in the effort, thereby creating the conditions under which proactive strategies can materialize. Area of attention: partnership portfolio management;
5. **Legitimacy challenge:** How to overcome the sizable trust-gap that companies face when formulating and implementing their intentions to ‘do good’; early adopters of the SDGs have to deal with the inclination for SDG-washing (superficially embracing the SDGs without actually aiming for transformative change). Area of attention: business community involvement, corporate citizenship, and stakeholder relations.

Dealing with these five challenges requires a more robust understanding of at least four basic questions:

- **Why** are the SDGs so important for companies (as threat-mitigation or as an opportunity)?

- **What** concrete topics and issues should be involved when thinking about their implementation in an integrated, aligned and societal value-creating way?
- **Who** is or should be held responsible, and who is to take responsibility for specific SDGs (responsible governance)?
- **How** can companies more effectively contribute to the SDGs?

## This book's formula

This book is organized around four leading questions related to the SDGs – why, what/who, how – in order to present a coherent framework for speeding up corporate strategies in support of the SDGs. The aim is to make corporate strategies more effective for sustainable development, and thereby more effective for business as well (the business case). This framework is a condensed result of a variety of interdisciplinary research and teaching projects, organized with colleagues in academia, practitioners at companies, civil society organizations and government, and with PhD and Master students.

Over the course of a considerable number of years, these collaborations have allowed us to develop a more integrated vision on the way corporations could effectively contribute to very complex societal problems through new business models and cross-sector partnerships. This includes new thinking on sustainable development, linking macro-challenges to micro-approaches, positive change trajectories and a variety of management techniques that are needed to (pro)actively take up complex societal challenges (rather than staying passive or shifting responsibility to others).

The book is, therefore, also closely linked to the creation – twenty years ago – of the department of Business-Society Management at the Rotterdam School of Management. This department focuses on the mainstreaming of sustainable business in management science and practice (B-SM, 2018). It also runs parallel to the adoption of the SDGs by RSM Erasmus University – as one of the first business schools in the world – as the leading ambition in its research and teaching programmes.

## How to use this textbook

Anyone who is interested in a full treatment of ‘principles’ of ‘sustainable business’ is faced with a level-of-analysis challenge: where to start? At the **macro-level**, where the full aggregate impact of sustainable or unsustainable business materializes? At the **micro-level**, where business models are operationalized and implemented? At the **meso-level**, where networks, communities and value chains are organized? Most business books start with the micro angle for obvious reasons. They run the risk, however, of treating the societal level only indirectly – as a context variable. Business scholars often refer to general ethical principles to partly cover for this deficiency. Policy-oriented books, on the other hand, start with a macro angle on sustainability issues. They face the problem of never really reaching the micro-level of corporate approaches. Policy scholars (including macro-economists) commonly address this problem by using general theories of companies and other meso-level actors (communities, organizations, sectors), which seriously limits the practical application of their insights to interventions that can (and should) be undertaken by individual companies.

Both approaches have obvious short-comings. Both nevertheless are quite popular as they provide a definite starting point for study and reading. They also tend to build on mono-disciplinary research and hence fit more easily into existing curricula at universities. In this book, we have chosen to give all levels of analysis significant attention. Principles of sustainable business should be founded in societal, sectoral as well as organizational levels. Principles also involve a solid understanding of the ambiguities in the system, for which we have introduced ‘wicked problems’ theory.

The choice for a multi-level approach led us to organize the text at three levels in a logical sequence: macro (societal, global) → meso (cross-sectoral, governance, network) → micro (corporate, organizational). This design – with substantial elaborations at each level – might not be equally relevant for all target audiences of this book. Hence, we have come up with a didactical solution to accommodate different needs and preferences, by enabling various audiences to start at different entries and use the parts of the book **in a different sequence** – depending on the available time and individual ambitions:

- **Corporate executives:** can immediately jump to part III. They are advised to start with the strategic Chapters (7, 8, 9, 10) and follow-up on more operational and functional challenges (Chapters 11 and 12). After that, a ‘backwards’ read will provide a deeper understanding of the nature of problems and opportunities that corporate executives face (Part II), to become better equipped to frame corporate strategies in the SDG paradigm, without underestimating the voids and remaining challenges of the SDG framework that still need to be settled.
- **Business students:** can start with Part II, to get acquainted with the SDGs and apply wicked-problems theory to the ‘grand challenges’ that companies face (Chapter 4), after which Chapters 5 and 6 help to ‘contextualize’ the organizational and governance configuration that influence possible approaches. Part III is then required reading, with case studies, frameworks, important concepts and illustrations of leading (standard-setting) initiatives that any business professional should master. If time allows, Part I will help to understand the relevance of long-wave structural change processes in view of the fourth industrial revolution, and to gain deeper insights into the bigger story and the turbulence that companies face, related to the clash of different societal models and the consequential problems that a VUCA world creates.
- **Policy students, policymakers and economists:** could start with Part I, to consider the geopolitical context in which the SDG-agenda can be understood as a ‘paradigm’ change, and then selectively go through Part II and III to check who should be taking initiatives and under what conditions (Part II). Part III supports policymakers and regulators in increasing their ability to distinguish between companies that are more or less serious about the SDGs (Part III). The index can be helpful in skimming through the material.
- **The aspiring ‘SDG professional’:** should, of course, consider the whole book as required reading, including the supportive material of MOOCs and the like. A basic understanding of the SDG paradigm is helpful, so it is best to start in Chapter 1 and to focus on the last part of that chapter. After that, you can zoom in on specific chapters that have your intuitive preference. Whatever sequence you choose, a final benchmark of your professional abilities will be the extent to which you are able to use *scoreboard #1* (Chapter 4) and *scoreboard #2* (Chapter 5) and the various scoreboards that are included in Part III. These scoreboards

form key checks for an understanding of the problems and opportunities that the SDG trajectory poses. Either as a precondition or result of this exercise, you should then be able to further develop the necessary skills as expounded on the accompanying website ([www.skillsheets.com](http://www.skillsheets.com)). The ultimate impact aim of any SDG professional is to help accelerate the implementation of the SDG-agenda, in whatever form, yet in an integrated, meaningful and genuinely contributive manner. One way of achieving that is to become a '*partnering broker*' and master the techniques needed to organize a '*wicked-problems plaza*' (as framed in Chapter 6).

*Principles of Sustainable Business* starts each chapter with an overview of 'Principles' addressed, and ends with the main 'takeaways' and supportive materials (a selection of key resources, leading initiatives, hubs, databases). The SDGs have triggered statistical bureaus, standard-setting organizations, consultancies, business alliances and research institutes around the world to collect relevant information at global, regional, national and local levels. As a result of the popularity and relevance of the SDG frame, companies, governments and civil society organizations (NGOs) have started to document and communicate where they are in their approach towards the SDGs. These societal efforts provide a rich basis for comparison and further research, both for business professionals and in an educational setting. The *open access* to many of these sources enables easy entry to trend, sector, industry and issue analyses, which in turn makes it relatively easy to consider the (multi-level) context in which particular SDGs are to materialize.