



## Why '*Principles*' of Sustainable Business?

This book emphasizes '*Principles*' of Sustainable Business. Principle-based approaches, rather than rule-based approaches derived from laws and legislation, are increasingly relevant for the behaviour of businesses. The sustainability challenge confronts companies with strategic concerns that go beyond mere 'legal', 'moral' or even 'responsibility' considerations. *Principles of Sustainable Business* deals with those 'propositions' and 'values' that create guidance for the behaviour of companies and the evaluation of their performance in the – often quite confusing and multi-dimensional – discourse on sustainable development.

Rules and laws create a predominantly *formal* environment to guide and evaluate behaviour. Juridical laws and rules implement solidified principles in a coercive way, for instance, through lawsuits in which liabilities are determined. Moral laws and rules prescribe and evaluate good behaviour in accordance with particular moral ideals. Scientific laws and rules enable knowledge validation and peer review. 'Propositions' and 'values', on the other hand, create a more *informal* and *dynamic* environment which encourages participants to adopt certain actions or behaviours, yet often without precise evaluation mechanisms (and sanctions) in place. Principles, with their underlying values, function as shaping, organizing and normalizing forces that in time can develop into 'systems'. The justice system, countries, alliances, companies and other systems are all founded on organizational and governance principles that build upon a composed set of particular values, such as 'fairness', 'accountability', 'stewardship', 'equality' or 'transparency', often set by groups of like-minded people. Companies – in particular those that operate in many countries and (legal/cultural) systems – have to address formal and informal dimensions of sustainability principles at the same time. Amongst others, they have to deal with:

- '*Universal*' principles, such as the Universal Declaration of Human Rights (which are nevertheless interpreted differently around the world) and the 'No One Left Behind' principle underlying the SDGs;
- *Moral principles*, with regard to 'do no harm', 'don't be evil', 'do good';
- *Management principles*, like 'stewardship', 'accountability' or 'transparency';
- *Good governance principles*, like 'comply or explain'; 'materiality' or 'fiduciary duty';
- *Constitutional principles*, like 'separation of powers', 'national sovereignty';
- *Religious and cultural principles*, such as wealth-sharing principles – *Zakat* – in Islamic countries; subsidiarity and solidarity principles in Christian countries; benevolence principles in Confucian countries;
- *Behaviouristic principles*, like 'honesty', 'integrity', 'ownership' and 'trust';

- *Sector-specific principles*, like the Principles of Responsible Investment (for the finance sector)
- *Principles introduced by international organizations*, like the OECD, the International Standards Organisation (ISO26000) or the United Nations (Global Compact) that provide guidance on a voluntary basis;
- *Collaborative principles*, developed by involved parties to guide a particular partnership in the right direction.

In a rapidly changing world, formal rules and laws lose part of their norm-setting and guiding value for addressing ‘grand challenges’, which tend to be transboundary in nature (across countries, across sectors, across actors). Instead, principles – in all sorts and shapes – fill part of the voids that appear at relevant levels of society: global, national, local, personal. On the global scale, no formal laws ever existed. Consequently, a global ‘governance gap’ exists in which there are no formal laws and rules, only standards and principles (and international treaties to recognize and confirm them). On a national scale, laws are losing part of their relevance because they were founded on past principles, practices and realities. On a local scale, organizations have to move beyond (local) laws and integrate all relevant contexts and dimensions (economic, ecological and social) to become sustainable. To fill the void and raise the bar, frontrunner companies are defining their own principles for creating value, for themselves and for society. The business logic and principle here is: ‘Business cannot thrive in a society that fails’. On a personal scale, principled behaviour is considered a virtue, and unprincipled behaviour a character defect. But what this actually entails, is rather context-sensitive and often far from clear.

Principal, the *adjective*, means ‘most important’. Principle, the *noun*, however, has many connotations. Principles guide the behaviour of companies in a variety of ways: as a correction and disciplinary mechanism, as a communication strategy, as a channelling or steering mechanism, or as a means to select and govern collaborative ventures for common goals (like the Sustainable Development Goals). Selecting principles that are ‘most important’ proves difficult and is situation and time-bound. The linguistic *combination* of Principles and Principal as *noun and adjective* defines the ultimate challenge of this book: **how can aspiring sustainable businesses deal with a large number of – sometimes conflicting – principles and still decide what they would prioritize (i.e. consider most important)**. Entitling the book as ‘*the*’ principles of sustainable business would wrongfully suggest that we can distinguish several well-defined principles that apply to all companies, in all local contexts, and under all circumstances. There are indeed several principles that *prevent* companies from becoming *unsustainable*. But for the higher end of this discourse – how to support companies to become *more sustainable* – we have to **explore** all relevant principles. This book will show that principles can originate in the global context, in shared goals, in governance approaches, in a comparable way of looking at issues (wicked opportunities), in the way stakeholders can be involved, and in managerial practices. The SDGs thereby present both an inspiring and challenging general framework for exploring the kind of **goal-oriented principles** needed to create transformational change.

Principles materialize at three basic levels:

- **Systemic Principles:** related to fundamental and even existential ‘why’ questions’; in Part I, we will specifically address whether the principles on which the SDGs are founded can be considered a new ‘paradigm’ for sustainable development, and why they are badly needed in today’s volatile, uncertain, complex and ambiguous (VUCA) world;
- **Societal and Dynamic Principles:** related to fundamental analytical, participatory and procedural ‘what’ and ‘who’ questions; in Part II, we specifically consider what the conditions are for an effective cross-sectoral organization of the SDG-agenda, and what type of thinking is needed to enable progress;
- **Strategic and operational principles:** related to a translation of societal and dynamic principles in a practical setting; how to ‘make this work’. Part III will especially zoom in on sustainable business models, organizational power (resource base, positioning, sphere of influence) as ‘assets of potential change’, and consider how corporations can realize ambition and ‘intent’ (based on the systemic, societal and dynamic principles of Part I and II).