Principles of Sustainable Business
Frameworks for corporate action on the SDGs

Tools & Skills

BEARS ON THE ROAD:
[A] The Activation Route

THE ACTIVATION ROUTE: entails a somewhat exceptional path for organizations, as it sets out from level 1 (an 'inactive' sustainability attitude) to directly move onward to level 3 (an 'active' sustainability attitude). It generally materializes as the result of **internal triggering events** – for instance, visionary strong new leadership drafting the contours of a sustainability-driven mission (see section 9.6 in *Principles of Sustainable Business* on 'leadership styles' in distinct transition phases).

Level 3 ambitions ('doing good', 'enhancing and scaling positive effects') are mostly **intrinsically motivated** and aimed at longer-term outcomes. Successfully travelling the activation route involves a **strategic (re)orientation** of all business activities by: (a) making full use of the already strong organization-internal governance structures to drive effective strategy integration, while (b) seeking to increase the degree of coordination among all business units in order to conjointly deliver on the sustainability-driven mission.

Implementation of **more radical change** (from efficiency-driven only, to longer-term sustainable outcomes) entails that core activities, operational practice and managerial mindsets are altered accordingly – a sizable leadership challenge. **Major barriers to change** are mostly internal, as drastic shifts in value orientation imply profound alterations in activities and organizational structures, day-to-day routines, required capabilities and the responsibilities assigned to managers.

1. PERSONAL [MOTIVATIONAL] 'BEARS ON THE ROAD'

On route [A], people face one or more of the following psychological challenges in becoming active on sustainability topics:

- ***Strategy gap*:** There is a difference between 'wanting' and '*really* wanting' and striving for something. The tipping point between these two states defines the force of the strategic implementation effort.

- ***Ambition gap*:** 'Doing your best' is not a good enough motivator. Setting specific, difficult yet feasible goals for yourself increases the stakes, the required effort and commitment for upholding them, and stimulate to think of more effective strategies.

- ***Status quo bias*:** Doing nothing is easier than effectuating change. Also, people put more value to 'not losing' than to 'winning'. When faced with crises and difficult choices, people tend to postpone key decisions – which is also known as 'decision-paralysis'.

- ***Willingness gap*:** In practice, people tend to *not* 'put their money where their mouth is'. On the spot, many lack sufficient willingness to 'pay extra' (the 'true price') for more sustainable materials/products/services.

- ***Choice stress*:** When confronted with too many options, people tend to procrastinate or incline to 'inaction' altogether. Having to make stressful choices is associated with choice paralysis and a constant feeling of inadequacy.

- ***Care paradox***: The more one cares, the more indecisive people tend to become. Uncommitted decisions often trump committed decisions, and tactics then trump strategy.

- ***Simplification challenge***: oversimplifying the issue – either by engaging in 'lazy thinking' or by 'reframing' an issue to a simpler case in order to avoid more difficult choices – stalls real progress. Ignoring complexity will ultimately backfire, with probably even harder choices to make.

More information: *GatMR*, pp. 57–59 [1]

2. ORGANIZATIONAL [MOTIVATIONAL] 'BEARS ON THE ROAD'

When directly moving from an 'inactive' (level 1) to an 'active' (level 3) sustainability strategy, organizations face two main challenges:

- ***Selection bias and simplification challenge***: a (too narrow) focus on the more 'easy' or 'obvious' topics for the company. For example, concentrating on ecological issues only (e.g. minimizing energy use; emission reduction) rather than *also* considering related social topics (e.g. 'living wage', gender equality, human and labour rights). Also referred to as the 'low-hanging fruit' dilemma.

- ***Segmentation fallacies and crowding out effects:*** Companies that successfully developed a 'niche' in a particular area of sustainability may not feel an incentive to follow through and make their effort part of their core business activities. In addition, a 'niche player' that successfully focusses on a small market segment of customers willing to pay a premium for sustainable products/services may reduce the incentive for 'mainstream business' players in that sector to become more sustainable.

More information: *GatMR*, pp. 86–88

3. INTERNATIONALIZATION [MOTIVATIONAL] 'BEARS ON THE ROAD'

Organizations that move directly – and opportunistically – from an 'inactive' (level 1) to an 'active' (level 3) internationalization route, face several challenges including:

- ***Myopics and small thinking***: efficiency-driven international companies are risk-averse and opportunity-driven. Only if sustainable products, components or markets are available at competitive prices, will these companies be willing to include them in their strategies – unless required or forced to by regulation**.**

- ***Losing touch with the home market***: global companies are at (reputational) risk in their home market if they pursue lower wages/taxation/regulation abroad and lose contact with their home stakeholders. This is especially true for a consumer goods company with a single brand.

[1] The abbreviation 'GatMR' refers to the book *Getting all the Motives Right. Driving International Corporate Responsibility (ICR) to the Next Level* (2018), which is freely downloadable from: https://www.robvantulder.nl/wp-content/uploads/2019/12/Getting-all-the-Motives-Right-part-1.pdf

- ***Divergence in regulation increases transaction costs.*** Opportunism and ‘divide and rule’ strategies eventually come at a price. Greater unpredictability and volatility in the international regulatory environment will limit the possibilities of international companies to have more stable relationships with suppliers and markets. This increases the costs and creates strategic, operational and sustainability risks that are more difficult to mitigate. In the long run, international companies are better off with reliable, stable and predictable relationships, value chains and markets.

More information: *GatMR*, pp. 164–166