Principles of Sustainable Business
Frameworks for corporate action on the SDGs

Tools & Skills

BEARS ON THE ROAD: [D] The Collaborative Route

THE COLLABORATIVE ROUTE: is the transition process that leads organizations from level 3 (‘active’) to level 4 (‘proactive’) sustainability approaches. Following the collaborative track stems from the profound understanding that no single organization can effectively resolve the more complex societal challenges alone, no matter how operationally coherent and internally aligned the organization and the business model have become.

Organizations with genuine **transformational ambitions** (level 4) recognize that their “business cannot thrive in a society that fails” and that **joint efforts** are pivotal for systems change. Taking **societal needs as the starting point for future-oriented strategizing** – referred to as a ‘reversed materiality’ approach (see section 9.3.2 in *Principles of Sustainable Business*) – requires effective **external alignment** and collaborative strategies, in fit-for-purpose partnerships with relevant stakeholders (Chapter 12).

Managing a **portfolio of strategic partnerships** (see section 12.4) may come with a significantly lower degree of strategy integration, however. A certain degree of flexibility is vital for being able to absorb, adapt and commit to (dynamically evolving) joint approaches. The more extensive the portfolio of sustainability-oriented partnerships, the greater the need for **sophisticated coordination** efforts – both internally (between and across an organization’s functional areas of management) as well as externally (in the interaction with strategic partners).

1. PERSONAL [MOTIVATIONAL] ‘BEARS ON THE ROAD’

Route [D] requires people to work together for –and on– common goals, which confronts them with additional psychological, motivational and relational challenges. A transformational transition effort requires that individuals combine high levels of intrinsic as well as extrinsic motivations. During hard times, personal drive to persist in striving for ambitious goals and tackling tough challenges can be greatly supported by involving others in this ambition and pool resources, capabilities, skills, knowledge, stamina and motivation. In contrast to immediate action in short-term events, effectively collaborating on longer-term goals adds considerable complexity to personal interactions. Personal challenges along the ‘collaborative route’ include dealing with:

- ***Limited effectiveness of nudges***. Nudges are (subtle) interventions in the decisional context (the ‘choice architecture’) that influence people's judgement, choice or behaviour in a predictable way, by acting on their cognitive biases yet without obstructing their freedom of choice. Nudges are particularly relevant for short-term and relatively marginal behavioural changes. They have less relevance for more fundamental change however, because drastic change requires thoughtful deliberation about trade-offs in different scenarios as well as the help of others in order to take hold and solidify. The focus on ‘small’ behavioural steps in the desired direction – as nudges attempt to entice – might even take away the stimulus for individuals to actively think through realistic options and implementable actions for contributing to more solid, long-term solutions.

- ***Dilemmas, trade-offs and the need for paradoxical thinking***. Dilemmas and trade-offs represent 'either/or' modes of thinking: that is, viewing tensions as contradictions, two-sided conflicts or as so-called 'non-cooperative games'. It signifies a mindset that interprets stakeholder tension as 'my way' versus 'your way'. An alternative and higher order mode of resolving such tensions is to search for synthesis ('our way') by accumulating ideas, views and solutions that generate a different dimension to the problem that transcends the apparent contradiction and reconciles the conflict. Such a paradoxical mode of thinking implies a search for more innovative approaches that produce 'both/and' type of solutions (see Box 4.3 in *Principles of Sustainable Business*).

- ***Bystander effect.*** Bystander effects appear in situations where everybody acknowledges the existence and impact of a particular problem, but nobody is able or willing to act. The larger the group of bystanders is, the less inclined people generally are to initiate action. Not so much because of lack of concern, but because of ambiguity about who is best positioned to assume responsibility. The personal challenge then becomes how to cut through such initial paralysis and inertia inherent to so-called 'collective action' or 'tragedy of the commons' problems, and activate people to engage in coordinated joint action.

- ***Free-rider effect.*** In situations of shared responsibilities, individuals may try to opportunistically shirk on their partial responsibility to contribute. They anticipate that others will invest time, resources and energy anyway – from which they will benefit too – even when they do not contribute themselves, or not in a sufficiently proportional way (see Box 5.1 in *Principles of Sustainable Business*).

- ***Collaborative mindset.*** A pro-social collaborative mindset is a precondition for attaining more ambitious sustainability goals. A collaborative mindset involves an open attitude towards participative actions with others and willingness to exchange information, adjust activities, share means, and reinforce each other's capacities to effectively deal with problems in working towards a common goal. In general, people with a pro-social mindset align easier with resolving sustainability issues than people with a pro-self mindset. Pro-social mindsets can be learned and trained.

- ***Short-term vs. long-term thinking***. Short-term considerations are more 'top of mind' than longer-term concerns. People tend to value short-term rewards (gains) and penalties (losses) more than the longer-term equivalents. As most sustainability issues require immediate investment but only pay off in the longer run, having a longer-term horizon – as well as being able to oscillate between short, medium and long-term options and consequences – is imperative for approaching sustainability issues realistically and effectively.

More information: *GatMR*, pp. 70–75[1]

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

Working together with other organizations on societal challenges necessitates a collaborative corporate attitude towards various societal stakeholders. It also calls for openness to co-opetition: pre-competitive and pro-competitive collaboration between organizations in creating (new) sustainable markets (section 10.4.1 in *Principles of Sustainable Business*). Stakeholders become co-designers in systems innovation. Competitors and other sector/industry actors become partners in establishing a new level playing field at a higher level of sustainability (Chapter 10). At the organizational level, challenges and barriers along the 'collaborative route' include:

[1] The abbreviation 'GatMR' refers to the publication *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

- ***Stakeholder engagement***. Meaningful stakeholder involvement aimed at co-constructing sustainability requires that the legitimate interests, goals and ambitions of societal stakeholders are duly taken into account in further corporate decision-making. Companies thereby face the challenge of (a) identifying and (b) including *all* stakeholders relevant for addressing a societal issue effectively. 'Coalitions of the willing' are a necessary but often insufficient condition to work towards transformative change. The real challenge is to trigger the active participation of coalitions of *needed* stakeholders. This implies that both 'friendly' and 'critical' stakeholders are included in working towards actionable solutions, on the basis of solid processes and appropriate governance arrangements (see sections 5.5.2–3; section 11.9 and Chapter 12 in *Principles of Sustainable Business*).

- ***Collaboration vs. collusion.*** Anti-trust regulation makes it difficult for competitors to collaborate on, for instance, establishing enhanced sustainability standards, creating new markets for sustainable products, or working towards systems innovation. Most anti-trust and competition policies equate the immediate interest of consumers quite narrowly: low prices. Inter-company collaboration is then easily equated with collusion and higher consumer prices. Pre- and pro-collaborative corporate initiatives hence require convincing the anti-trust authorities of the (substantiated) sustainability-enhancing motives behind the collaboration.

- ***Capture and adverse selection.*** Working in coalitions bears the inherent risk of participants having (silent) diverging interests and motives that, over time, can erode the credibility and effectiveness of the alliance. For instance, parties may just want to be part of a sustainability initiative for reputational reasons, sit at the table to monitor what happens (whilst simultaneously lobbying for less strict regulation), or safeguard their company's interests by hindering progress. Appropriate selection and governance mechanisms should be in place to prevent that the alliance unintentionally turns into a 'coalition of the unwilling'. The larger the group of collaborating companies becomes, the harder it is to find collectively shared priorities and to preclude free-riding behaviour.

- ***Nature of partnerships.*** Partnership relationships can be philanthropic, transactional, integrative or transformational, depending on the degree of strategic 'goal alignment', the intensity of engagement, and the collaborative value created (see section 12.2.2 in *Principles of Sustainable Business*). A functioning (cross-sector) partnership always involves agreement on a common purpose, shared goals, and the level of commitment by all parties involved. Effective goal alignment is a dynamic process that usually materializes over extended periods of time. It is founded on mutual dependencies, proven complementary capabilities, built-up trust, and investments in joint capacity-building. Strategic *mis*alignment can appear when intentions and ambition levels do not entirely match – insufficient 'partnering fit' – or when the partnership is not properly aligned with the societal issue it seeks to address – insufficient 'issue-partnering fit' (see Chapter 12).

- ***Timing and 'fit' challenges.*** Co-creation and other processes of collaboration require that the organization is sufficiently motivated, internally aligned and aptly organized to 'walk the talk'. Starting a collaborative strategy too soon or unprepared may result in too low an ambition level to be successful (insufficient strategic and operational fit). Not being able to deliver will not only disappoint existing partners with more ambitious sustainability objectives, but may also discourage prospective partners. Conversely, ending a confrontational (competitive) strategy too late will lead to frustration about foregone opportunities for co-opetition and pre-competitive sector initiatives to establish new sustainability standards and practices.

- ***Tensions and trust-building.*** In collaborative arrangements and (cross-sector) partnerships, tacit inter-organizational tensions may appear that play out against the backdrop of power differences, organizational interdependencies, distinct governance logics or opposing views on matters of transparency, accountability, funding, appropriability, control structures and steering mechanisms (see section 12.2.3 in *Principles of Sustainable Business*). Lingering tensions are often a sign of insufficient goal alignment and imprecise partnering agreements as regards to roles, responsibilities, means and resource commitments. Low levels of trust within collaborative arrangements raise transaction costs and erode the likelihood that synergies, collaborative advantage and relevant sustainability impact can be achieved.

- ***Internalization.*** To be productive, the experiences, innovative insights and lessons learned from inter-organizational collaborative efforts need to be linked to core internal activities. Otherwise, strategic partnerships run the risk of becoming an isolated activity that will only be of limited relevance for the company's longer-term business case. Intra-organizational learning includes finding ways to internalize the operational, reputational and synergetic value ('collaborative advantage') created by the partnership. This requires that organization-internal infrastructures, processes and routines are developed that embed and leverage the fruits of the collaboration into own activities (see section 12.3.2 in *Principles of Sustainable Business*).

- ***Long-haul leadership challenge.*** Repurposing and redirecting the organization in alignment with societal issues and longer-term business-critical developments, presents an inherently dynamic leadership challenge. Organizational transitioning towards a 'proactive' corporate attitude involves complex change processes amidst uncertainty, ambiguity and emergence, over an extended period of time. It also entails the timely involvement – and empowerment – of relevant followers, and effective collaboration with sector and cross-sector peers. Relevant leadership styles in this phase of organizational transitioning include: (i) transformational leadership; (ii) connected leadership; (iii) paradoxical leadership; (iv) thought leadership (see section 9.6 in *Principles of Sustainable Business*).

More information: *GatMR*, pp. 114–124

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

The international dimension of route [D] presents the challenges inherent to implementing a sustainability strategy across borders in such a way, that it: (a) is aligned with both global and local expectations, and (2) effectively operates in various business ecosystems without losing coherence. International Community Responsibility (ICR 4.0) challenges along the international collaborative route include:

- ***Managing distance, local trust-building, the liability of foreignness.*** Dealing with various home-host distance dimensions (e.g., institutional, administrative/governance/political, cultural, economic, normative, developmental) in CSR approaches and stakeholder relations, has a bearing on the nature of the relationships entered into as well as on chosen strategies. International Business research indicates that foreign firms tend to gain more from implementing 'doing good' initiatives (e.g., job creation, technology transfer, vocational training, paying living wages, providing healthcare) than from highlighting 'avoiding harm' activities (e.g., minimizing pollution, paying due taxes, precluding child labour, modern slavery and underpayment, not depleting natural resources). The 'liability of foreignness' can be minimized when companies: (a) demonstrate a profound understanding of host country and local community needs; (b) develop 'interactive' capacity, accountability and credibility in supporting community activities; and (c) incorporate 'good citizenship' in the culture of their organization and the ethos of firm representatives.

- ***Attribution challenges***. Attributing positive societal impacts to corporate sustainability policies is already difficult to corroborate on a national scale, let alone on a global or international level: across continents, borders and throughout international value chains. Being able to substantiate societal impact claims requires multinationals: (a) to upgrade their value proposition to include international opportunities, challenges and contexts; (b) to be explicit and specific about goals, timeframes, milestones, scale and depth of their sustainability efforts; and (c) to transparently monitor and measure both their positive *and* negative impacts on the distinct societies they operate in – with due regard to impact integrity. According to the UNDP, impact integrity entails: "providing a whole, complete, sound and uncorrupted picture of all material impacts that business and investment activities and decision have – or may have in future – on people or the planet" (see Box 11.4 in *Principles of Sustainable Business*).

- ***Developing a convincing sustainable corporate story.*** A 'sustainable corporate story' is a narrative that conveys the organization's (international) sustainability ambitions in support of addressing critical systems challenges. It communicates *why* prioritized sustainability topics are deemed 'material' to the company's core activities around the world – now and in the longer run – and *what* approaches and efforts the organization commits itself to in order to make this ambition actionable. A sustainable corporate story: (1) portrays the nature of today's global challenges, the transformations needed, the kind of world the organization wants to operate in, and its role and position in the business ecosystem; (2) clarifies the organization's value orientation and purpose, its corporate responsibilities and the kind of dilemmas it faces (e.g., switching costs/benefits, path dependencies, lock-ins); (3) explains how the organization will use its power base, international positioning and sphere of influence to organize for positive change, alone and together with others; (4) communicates how it aligns with the SDG-agenda, what portfolio of sustainability goals it prioritizes, why, what milestones will be met by when, and how the effort will be linked to core activities and the business model (see section 10.6 in *Principles of Sustainable Business*).

- ***Reversing materiality***. Reversing materiality implies a shift in perspective when considering materiality: from a company-centric perspective (inside-out orientation) to a societal perspective (outside-in orientation). For internationally operating companies, a reversed (double) materiality approach entails that they take global and universal societal issues – notably the SDGs – as the point of departure for strategic decision-making and back-casting. The need to reckon with many local contexts simultaneously and to timely identify business-critical developments, forces multinational enterprises to also adopt 'dynamic materiality' approaches. Continuous alignment with various groups of stakeholders then becomes key. Conventional materiality approaches tend to be based on limited substantive stakeholder engagement, however (see sections 9.3.1–2 in *Principles of Sustainable Business*). More than two-thirds of multinational companies around the world have started to align with the SDGs as a way to link their corporate strategies with broadly agreed (global) societal goals. If they use the SDGs primarily for communication purposes, they underutilize the strategic potential of the SDG-agenda for breaking through a 'reactive' (single) materiality approach.

- ***Partnership Portfolio Management.*** Partnerships with *global* NGOs – such as WWF or UNICEF – can create both efficiency and scale, depending on the ability of each partner to disseminate proven practices from one location to another. Partnerships with *local* NGOs can enhance local legitimacy and result in a license to operate/scale/experiment, but come with considerable coordination problems. Global companies have been found to operate cross-sector partnership (CSP) portfolios of, on average, 18 partnerships addressing a variety of sustainability-related goals. Managing extensive CSP-portfolios in a strategic and impact-oriented manner entails a considerable span-of-control challenge, including in terms of proper contextualization, coordination, monitoring and evaluation, and institutionalization. In all cases, it requires dedicated resources, organizational flexibility, specific organizational capabilities and managerial competences, and appropriate internalization of accumulated insights and collaborative value created (see Chapter 12, sections 12.3.2–3 in *Principles of Sustainable Business*).

More information: *GatMR*, pp. 190–198