

Rob van Tulder and Eveline van Mil



Principles of Sustainable Business

Frameworks for Corporate Action on the SDGs



**SUSTAINABLE
DEVELOPMENT GOALS**

PRME
Principles for Responsible
Management Education

“The SDGs provide a moral framework at the time the world needs it most. It is also the world’s best long-term business plan. It’s the unlock to what is the growth story of our century, putting people and the planet first. But the implementation is in need of a ‘booster shot’. *Principles of Sustainable Business* presents state-of-the-art science-based answers on how to achieve this ambition in the Decade of Action. The detailed elaborations of business models, transition trajectories and partnering strategies provide actionable targets for companies that want to drive systems change.”

Paul Polman, *Former CEO Unilever, Co-chair and founder
IMAGINE, Vice Chair UN Global Compact*

“Achieving the SDGs requires an all of society effort, including the vital role of the private sector. While progress has been made, serious challenges still remain to fully realize the private sector’s power and dynamism. This book is an important contribution by providing valuable insights and practical examples of how companies can achieve greater impact towards a better world.”

Ban Ki-moon, *Eighth Secretary-General
of the United Nations*

“This book is a truly inspiring collection of proven tools and frameworks to motivate global and local business leaders to make their businesses contribute to achieve a world that is more fair, just and environmentally sustainable. *Principles of Sustainable Business* is an amazing resource for business practitioners, business school educators and students to drive the urgently needed systems change to help companies adopt the Sustainable Development Goals and create the world we want. And very timely, it is co-authored by a business school educator and a business practitioner, Rob van Tulder and Eveline van Mil.”

Dr. Mette Morsing, *Head of PRME Principles for Responsible
Management Education, United Nations Global Compact*

“Our world is facing three pressing global challenges: the climate emergency, the loss of nature and growing inequality. As risks associated with these challenges continue to build, we need business leaders to rally behind a bold and urgent agenda for transformation. The SDGs provide a unique lens through which to translate global needs and ambitions into tangible business solutions, and this book provides insights to support companies in this effort. With a solid overview of resources available, it presents new techniques and tools to walk the talk.”

Peter Bakker, *President & CEO, World Business
Council for Sustainable Development (WBCSD)*

“Whether you are an executive, economist, or future business leader, *Principles of Sustainable Business* will be a comprehensive guide to why companies are

increasingly taking action on the sustainable development goals, and how they can do so. It is eloquently written, yet academically rigorous.”

Prof. Klaus Schwab, *President and founder
of the World Economic Forum*

“This book is a must read for anyone who craves for inspiration on how to turn companies into a force for positive change. Reaching the Sustainable Development Goals is a matter of commitment, of owning a strong moral compass and of 21st Century Leadership. And books like this is fuel for these visionary leadership skills. But the book is more than that. It brings clarity in the alphabet soup. And, more importantly, it takes key international concepts, standards (such as my own organization the Global Reporting Initiative and the GRI standards) and tools in the arena of sustainability, responsible business and ESG, analyses them critically and scientifically in their potential and shortcomings and then boldly and innovatively improves, enriches and even transforms them into a next level. Take the example of ‘materiality’, which is turned into the concept of ‘reversed materiality’, to capture a more forward-looking angle. This is a book that deserves a spot on your desk where you can read it time and again. You will find yourself turning to it when you need to revisit a certain idea. It will help all of us sharpen our mind, and focus on what needs to be done by each of us to build a better world through the Sustainable Development Goals.”

Teresa C. Fogelberg, *Former Climate Change Director,
Women’s Rights Director, Research Director at the Netherlands
Ministries of Foreign Affairs and Environment, Co-Founder
and Deputy Chief Executive of the Global Reporting Initiative*

“In Africa, we place a high premium on the private sector as a critical engine of growth for the continent. This outstanding book offers excellent insight into how the corporate world can impact positive change – change for the Africa we want and more broadly at a global level, as we strive to bring the SDGs to fruition.”

Dr. Akinwumi Adesina, *President African Development
Bank and World Food Prize Laureate*

“The Decade of Action needs serious acceleration. The intentions are still there, but the realization requires sophisticated approaches of governments, civil society and companies alike. The frameworks offered by this all-encompassing book provide the badly needed road map for the coming years. A truly amazing achievement!”

Prof. dr. Jan Peter Balkenende, *former Prime Minister of the
Netherlands, chair Dutch Sustainable Growth Coalition*

“Sustainability is easy to talk about, but we all know it is much harder to deliver. As this comprehensive guide makes clear, addressing our most pressing societal

and environmental issues will require deep organizational transformation. That change must be led from the top. CEOs and boards now face an unprecedented opportunity to embed sustainability across strategy, operations, and leadership cultures. We welcome this timely roadmap to making this transition.”

Constantine Alexandrakis, *CEO Russell Reynolds Associates*

“Principles of Sustainable Business of Rob van Tulder and Eveline van Mil describes in depth why and how businesses should and can be purposeful by creating economic, societal and ecological value at the same time. The authors recognize the importance of how frontrunner companies in the past have been able to break through a number of the critical tipping points to uplift sustainability and contribute to systems change. Sustainability should be anchored in the core of the business and the SDGs could provide a very relevant framework for companies to define where to contribute. The frameworks developed in this book make it possible for (aspiring) leaders to ‘walk the talk’.”

Feike Sijbesma, *former CEO DSM, Chair Supervisory Board Philips, member Supervisory Board Unilever*

“Principles of Sustainable Business stands out for its breadth, mastery of detail, and its bridging of scientific evidence with actionable tools for making positive real-world impact. The book explains why companies are critical for attaining the SDGs and outlines how they can contribute to these global goals. At Robeco we are dedicated to this ambition: we are a research-driven investment firm that is pioneering SDG investment strategies in fixed income and listed equity. This relevant book confirms and inspires our SDG-investing journey.”

Karin van Baardwijk, *CEO Robeco*

“There is no way to keep climate change from surpassing the critical 1.5 degrees Celsius level without the strong engagement of the private sector. Delivering fully on the Paris Agreement and the SDGs is in fact a pipe dream absent the active collaboration of business. This insightful book provides a valuable guide to strategic investment decisions that align with core international priorities in sustainability that can benefit us all.”

President Mohamed Nasheed, *Speaker of the Maldives People’s Majlis and founding Chair of the Climate Vulnerable Forum*

“The scientific community has argued for a long time that the transformation to sustainable business is necessary for the world to have a chance of delivering the SDGs within a safe operating space on Earth. Rob van Tulder and Eveline van Mil reinforce the urgency of solving the planetary crisis we face, while adding a crucial additional dimension – the new narrative for the future; that sustainable business is not only the path to planetary responsibility, it is also the path to prosperity and

equity, i.e., it is not only our common future on Earth that is at stake, it is also a choice between modernity and regress.”

Prof. dr. Johan Rockström, *Director of the Potsdam Institute for Climate Impact Research and Professor at the Institute of Earth and Environmental Science at Potsdam University*

“This book speaks to the new world of work. The sustainable future that we all want and the resilience that must be developed by businesses to make it possible for us to arrive at a better quality of life for all. Excellent insights on three broad sets of principles: systemic, societal and dynamic as well as strategic and operational.”

Douglas Opio, *Executive Director, Federation of Uganda Employers (FUE)*

“*Principles of Sustainable Business* presents the clear and defining frameworks needed in order to turn our social, ecological and climate problems into business opportunities. Translating the SDG agenda into pro-active business models and cross-sectoral partnership strategies will help business leaders bridge the gap between intention and realization.”

Paul Hawken, *creator, author, editor of ‘Drawdown’, ‘Natural Capitalism’, ‘The Ecology of Commerce’, and ‘Re-Generation. Ending the climate crisis in one generation’*

“From its inception in the form of the ‘Millennium Declaration’ at the change of the millennium, to the status of the SDGs, and in the midst of the Covid pandemic the world is struggling through different and difficult challenges. Rules, techniques, approaches, and past and newly created systems are simply insufficient to address the complexity of the challenge.

This book is a brave attempt to break the conundrum by elevating our mindset to address it from the ‘Principles’ level, providing well thought out ideas at the macro, meso and micro level of analysis and action steps. The SDGs tagline: Global Goals National Targets, and its 232 indicators is just a start to appreciate the complexity across the wide spectrum of developments that the world is living in. With the business and corporate world playing a major role in both the economic development and management knowledge fronts, if we are serious about hitting the goals, this book is a must read to elevate our approaches beyond strategy and policy. After all, strategy may change, Principles remain.”

Prof. Kuntoro Mangkusubroto, *Head of President of Indonesia’s Delivery Unit (2010–2014), and co-founder of School of Business and Management – Institut Teknologi Bandung (SBM-ITB)*

"The 2030 Sustainable Development Agenda, and the 17 SDGs that underpin it, recognize that the natural world and its life-giving services must be urgently protected if we are to fulfil the needs of nine billion people by 2050. The SDGs are premised on the notion that we cannot solve problems in isolation. Protecting these ecosystems will require strong institutions, governance and cooperation from the local to the international level (SDGs 16 and 17). Nature-based Solutions (NbS) are thereby increasingly recognized as a key part of the response to the climate crisis by governments, businesses and communities. It is crucial that these interventions are credible, measurable and inclusive. *Principles of Sustainable Business* fills the intellectual and practical gap for private organizations willing to work on Nature-based approaches in a profound, fundamental as well as thought-provoking manner. For public organizations and communities, the book provides relevant tools, resources and (cross-sector) partnering techniques to help companies move beyond a reactive to a proactive approach in support of Nature-based Solutions."

Angela Andrade, *Chair, IUCN Commission on Ecosystem Management
and IUCN's Global Standard for Nature-based Solutions*

"*Principles of Sustainable Business* is a milestone for all executives, academics and students keen to dwell deeper into the SDGs. The book aptly shows the extreme importance of purpose-driven organizations. We like the solid treatment of the opportunities and threats surrounding the 'hybridization' of many organizations that try to combine profits and societal purpose, not as a compromise but as an innovative novel business model that presents a resilient approach to many of today's sustainability challenges. We are, of course, thrilled to see the SDG Action Manager being mentioned as one of the practical tools that can be used by large and small companies to implement the SDGs."

Marcello Palazzi and Leen Zevenbergen, *Co-founders, B Lab Europe*

"This book is essential reading for anyone partnering in or with the corporate sector. The authors are clear – collaboration across and beyond the usual boundaries is fundamental to sustainable and transformative development. Partnering is not only enshrined in SDG 17 – Partnerships for the Goals – but forms the basis of the collaborative approach of all SDGs: People, Planet, Prosperity, Peace and Partnering. The question is no longer 'why?' but 'how?' Those involved in initiating, nurturing and supporting the partnering process have a subtle but vital task to assist partners in navigating what is complicated and penetrating to the heart of what is complex. The concepts so thoroughly articulated here give those in the brokering role the solid ground on which to build their work."

Ros Tennyson, *Founder & Strategic Advisor, Partnership
Brokers Association*

"This innovative, state-of-the-art book approaches the SDGs as both wicked problems and wicked opportunities. Its complexity-based approach will challenge leaders (and future leaders) to think and act in new ways to transform their organizations to negotiate the VUCA world that the authors well document."

Sandra Waddock, *Galligan Chair of Strategy, Carroll School
Scholar of Corporate Responsibility, Professor
of Management, Boston College*

"This is a unique and outstanding textbook and a practitioner treasure. It provides a clear understanding of the Sustainable Development Goals and their relevance to business. It offers insightful, distinctive, and constructive guidance on how to achieve more societally impactful sustainability strategies and operations, including essential cross-sector partnering. The book is rigorous and highly readable. Each chapter starts with guiding Principles and ends with crisp takeaways. Supplemental Web-related sources provide additional resources to deepen and broaden the learning. A timely and valuable contribution."

James E. Austin, *Eliot I. Snider and Family Professor
of Business Administration, Emeritus, Co-Founder
Social Enterprise Initiative, Harvard Business School*

"FLAME University's core values include ecological balance and an inclusive society, which implies that we often challenge what is known and believed about higher education. For this aim we are collaborating with the Wage Indicator Foundation to learn how students can engage in action research, blended learning and investigative journalism by collecting robust data on Living Wages around the world. *Principles of Sustainable Business*, not only supports us in this effort, but presents the scientific basis to found our research and teaching in the broader agenda of the Sustainable Development Goals. A must-apply approach for all universities."

Dr. Santosh Kumar Kudtarkar, *Dean, Faculty of Liberal
Education, FLAME University, India*

"The Sustainable Development Goals (SDGs) are 'wicked problems' (systemic, ambiguous, complex and conflictual problems), where politics trumps evidence, and solutions are never first best or permanent. Wicked problems cannot be solved, only managed or resolved over and over again. However, as Van Tulder and Van Mil argue, the SDGs are not only wicked problems but also provide wicked opportunities for firms that want to become sustainable businesses that add value to society. The core question that motivates the book is how can companies become sustainable businesses? The answer provided by the authors is a principles-based road map for corporate action on the SDGs, organized around three levels of analysis: systemic, societal and dynamic, and strategic and operational principles. Drawing on multiple frameworks, examples

and illustrations, *Principles of Sustainable Development* pulls together the newest thinking in academia, consulting, and government policymaking. The book is a 'one stop shop' – that rare book which provides an over-arching, principle-based approach to understanding sustainable business in the 21st century. Everyone – from instructors looking for a textbook for their course on the SDGs to business executives who want to better link their CSR strategies to the SDGs to policy makers hoping to attract foreign multinationals that will foster sustainable development – will find what they are looking for here. *Principles of Sustainable Business* is a 'must read' for students, corporate executives, and policymakers who want to think intelligently and effectively about the SDGs and how firms can and should develop strategies that are SDG relevant."

Lorraine Eden, *Professor Emerita of Management and Research
Professor of Law, Texas A&M University, 2020–2023 Dean
of Academy of International Business (AIB) Fellows*

"In a global economy that can only be guided by principles rather than rules, multinational enterprises face many challenges to compete while at the same time sustaining and gaining a license to operate. It is important that companies subscribe to the Sustainable Development Goals as a set of unifying principles and get the frameworks and tools to 'walk the talk'. Dealing with the SDGs has not only been a challenge for firms, but also for International Business (IB) scholars around the world: how can we make sure that companies become a 'force for positive change'. This groundbreaking book by highly acclaimed IB professor Rob van Tulder and his co-author Eveline van Mil provides the intellectual foundation for corporations to base their contributions to the SDGs on intentions and solid academic knowledge to change preferences into realizations. And the teaching material will be very helpful in academia."

Maria Tereza Fleury, *President of the Academy of International
Business (AIB), Full Professor at Fundação Getúlio
Vargas (FGV) and the University of São Paulo*

"*Principles of Sustainable Business* is a gift to the world – and not a moment too soon. If we humans are to survive and thrive into the distant future, we must embrace the SDGs and see them realized in practice. But how? Rob van Tulder and Eveline van Mil provide just the kind of cross-level, cross-sector, substantive and process-oriented approach the world needs at this crucial time. They imagine why and how key actors, and especially businesses, might achieve an idea embodied in an English word that dates from the 15th century – commonwealth – which meant common well-being. These authors show us how well-being can become far more common and far more long lasting."

John M. Bryson, *McKnight Presidential Professor Emeritus, Hubert H.
Humphrey School of Public Affairs, University of Minnesota*

"Principles of Sustainable Business is extremely valuable for its advocacy and operationalization of a paradigm shift from maximizing shareholder wealth to generating additional societal value by contributing to the achievement of the SDGs. It surfaces the challenges businesses face in an uncertain and disruptive world and provides concrete cases from the literature and the authors' intimate knowledge of sustainable business practices on the ground. The authors' discussion of resilience is a convenient handle for unpredictable situations. At the same time, the chapter on collaboration underscores the importance of carving spaces for cross-sector partnerships as a means to address complex and seemingly insurmountable challenges."

Maria Cynthia Rose Banzon-Bautista, Ph.D., *Vice President
for Academic Affairs, University of the Philippines*

PRINCIPLES OF SUSTAINABLE BUSINESS

The basic function of companies is to add value to society. Profits are a means to an end, not an end in itself. The ability of companies to innovate, scale and invest provides them with a powerful base for positive change. But companies are also criticized for not contributing sufficiently to society's grand challenges. An increasingly **VUCA (Volatile, Uncertain, Complex and Ambiguous) world** creates serious governance gaps that not only require new ways of regulation, but also new ways of doing business. Can companies effectively contribute to sustainable development and confront society's systemic challenges?

Arguably the most important frame to drive this ambition was introduced and unanimously adopted in 2015: the **Sustainable Development Goals (SDGs)**. The SDG-agenda not only defines a holistic set of global goals and targets, but also foundational principles to guide meaningful action to their achievement by 2030. Multinational companies have signed up to the SDGs as the world's long-term business plan. Realizing the SDGs provides a yearly \$12 trillion investment and growth opportunity, while creating hundreds of millions of jobs in the process. But **progress is too slow** – witnessing society's inability to deal with pressing human, ecological, economic and health crises – whilst the vast potential for societal value creation remains underutilized. This book provides a timely account of the systemic, strategic and operational challenges that need to be addressed to enhance the effectiveness of corporate involvement in society, by using the SDGs as leading principles-based framework for actionable, powerful and transformative change.

Principles of Sustainable Business is written for graduate and postgraduate (executive) students, policymakers and business professionals who want to understand the complex challenges of global sustainability. It shows how companies can design and implement SDG-relevant strategies at three levels: the macro level, to assess whether the SDGs present **wicked problems** or **opportunities**; the micro level, to develop and operationalize innovative **business models**, design new **business cases** and navigate organizational **transition trajectories**; and the meso level, to develop fit-for-purpose **cross-sector partnering strategies**. *Principles of Sustainable Business* presents innovative tools embedded in a coherent sequence of analytical frameworks that can be

applied in courses for students, be put into practice by business professionals and used by action researchers to help companies contribute to the **Decade of Action**.

Rob van Tulder is full professor of International Business at RSM Erasmus University, co-founder of the Department of Business-Society Management (one of the world's leading capacity groups on teaching and research in sustainable business). He is academic director of the Partnerships Resource Centre, acclaimed author of more than 20 books on Sustainable Development and Multinational Enterprises, and advisor to many companies, governments, international organizations and NGOs.

Eveline van Mil is strategic advisor to (semi-)public, private and non-profit organizations on societal interface management. Her practical experience and research projects range from 'wicked problems', societal governance, transition theory and issue and stakeholder management to the 'resource curse', sustainable production and consumption, and regulation of controversial sectors.

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FOREWORD

In 2016, I became co-chair – together with former UN Deputy Secretary-General Mark Malloch-Brown – of the Business & Sustainable Development Commission. We officially launched at the World Economic Forum (WEF). Our simple objective was to create more awareness of the SDGs among the business community. It was clear to us that most of the goals depended on active ownership and involvement of the business community who, after all, account for the bulk of our economies, financial flow and job creation and has a main role to play in innovation, resources and financing. Business needs the SDGs as much as the SDGs need business. In less than two years' time, we were able to make a compelling business case for sustainable development in general and the SDGs in particular. We showed that private sector involvement in the realization of the SDGs could unlock an estimated annual \$12 trillion in business opportunities by 2030, while creating hundreds of millions of much-needed jobs in the process. The corporate community received the SDG-agenda as a compelling growth strategy. It was particularly clear at that time that the SDGs were badly needed to provide an integrated and universal agenda to address the many wicked problems that the world is facing. Business leaders started to reiterate that companies cannot succeed in societies that fail. Nor could we, as business leaders, remain bystanders in a system that gave our companies life in the first place. We well exceeded our objectives, reaching over 2,000 CEOs and helped them integrate the SDGs in the core of their strategy. Subsequently, we are driving the SDGs even harder amongst the 15,000 members of the UN Global Compact, most of which have adopted them in their own business strategies. I continue to share my insights with other corporate leaders to encourage their involvement in the SDGs. The book *Net Positive* adds another dimension. I do that not only as former CEO of one of the largest global and publicly traded multinationals, but also as an active participant in relevant international platforms, committees, think tanks and in my frequent interactions with key governments.

In our book *Net Positive*, I argue – together with my co-author Andrew Winston – that the SDGs are vital as a means to reframe the social contract, rethink the role of business in society, and redesign the policies we need. The SDGs push us to go deeper and seek a planet and society in balance. The SDGs are also timely, as more and more we are aware of the price we pay for social

exclusion and the devastating effects of our current linear and extractive economic system on our planetary boundaries. We have never been so forewarned about what is going to happen, but also never been so forearmed with tools to do something about it. Given the enormous costs of failure, as Covid-19 has shown, we are rapidly moving from risk mitigation to seizing enormous opportunities. This is one of the main reasons, I believe, why we start to see the financial sector move as well.

When I started as CEO of Unilever and introduced the *Sustainable Living Plan* as a framework and philosophy for the corporate sustainability strategy, I had already referred to the phenomenon of the VUCA world – the increasingly Volatile, Uncertain, Complex, and Ambiguous context in which companies have to develop resilient strategies. Since then, the world has proved far from immune for crises. The Covid-19 crisis is definitively not the last systems crisis we will face. A direct result of our destruction of biodiversity, it has reminded us once more that we can not have healthy people on an unhealthy planet. The SDGs provide the most relevant positive agenda and antidote to the negative fallout of a VUCA world. In a unique confluence of circumstances in 2015, the SDGs were embraced by all governments, major businesses, leading NGOs, all relevant international organizations and many knowledge institutes. But successive progress reports show that progress still goes too slow. In fact, Covid-19 pushed us backwards on many fronts and showed once more that the disadvantaged or minority groups again pay a disproportionate price. As this book diligently documents, this is not because of a lack of intentions or relevant support, but because organizations face considerable challenges in addressing the root causes of societal problems and in converting sustainability challenges into opportunities. Companies have experienced external and internal barriers to translating societal objectives into their core business models and value networks, and to developing proactive strategies – alone or together with partners. Most importantly, many are trying to optimise in a system that is not designed to deliver anymore. The broader partnerships across society to drive the needed systems changes will be key. I call it working ‘on’ the forest versus ‘in’ the forest.

For the latter ambition, I consider *Principles of Sustainable Business: Frameworks for Corporate Action on the SDGs* a seminal book. Not only because it starts from the same premise as I did – focusing on the VUCA world and how to deal with the challenge in a purposeful manner – but also because it takes the multidisciplinary and multilevelled approach that is so much needed and so often missing in business studies on corporate sustainability strategies. Or, for that matter, in the development of government policies in support of corporate sustainability strategies. The principles contained in every chapter of this book provide a fundamental take on the role business needs to play in a VUCA world. Companies have to move beyond ‘rules’ and ‘regulation’ and consider responsibilities and principles. The layered principles elaborated throughout the twelve chapters

neatly complement, reinforce and further underline the five principles that separate the 'net positive companies' from the merely 'well-run' and 'well-meaning' businesses: (1) ownership of all impacts and consequences, or not; (2) operating for the long-term benefit of business and society; (3) creating positive returns for all stakeholders; (4) driving shareholder value as a *result*, not a goal; (5) partnering to drive systemic change.

It is amazing how this book shows how a science-based approach and insights from a rich variety of disciplines not only confirms our own five principles, but actually adds a large number of frameworks, tools, checklists and scorecards to our own approach. One of the many actionable frameworks presented in this book is, for instance, Partnership Portfolio Management. As mentioned, to succeed, all companies have to engage in meaningful partnerships with societal stakeholders, governments and even competitors. In my own experience, I have encountered partnering as a necessary condition for progress and trust-building. But this is never easy and requires impact-driven leadership and sophisticated management skills from all participants. All the insights, as diligently documented in this groundbreaking book by Rob van Tulder and Eveline van Mil, are truly valuable and will help students and executives alike, in considerable detail, to contribute to the Decade of Action. This book presents the perfect scientific foundation for future efforts of companies around the world. Enjoy the read, but above all the fun and reward that comes from putting it in practice.

Paul Polman

*Former CEO Unilever, Co-chair and founder IMAGINE,
Vice Chair UN Global Compact, former SDG Advocate,
member High Level UN Panel that developed the SDGs*

PREFACE

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, almost three-year 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" (UN, 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).¹

The business logic to engage and contribute was clear: achieving the SDGs was assessed to unlock an estimated annual \$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 and 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 (UN, 2019). 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

1 <https://news.un.org/en/story/2015/09/509862-un-forum-highlights-fundamental-role-private-sector-advancing-new-global-goals>.

GDP – 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 or World War II. To most observers, the Covid-19 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 while just 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% agreed 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 and DNV GL, 2018). The WBCSD found that companies embrace the SDGs particularly 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 inter-related challenges:

- 1 **Materiality challenge:** how to make the SDGs part of core business and integrate them into long-term and short-term corporate strategies. Areas 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 approach: from ‘avoid doing harm’ to pursuing ‘doing good’. Areas of attention: business model innovation strategies; internal alignment between functional areas of management and transition management, in particular in supply chain, natural resources and operations management, finance, marketing, human resource management, innovation and communication;
- 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: cross-sector 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). Areas 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?

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', 'mutuality', '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 basic 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 entails in practice, 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 principle 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).

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 thus 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's 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 – 20 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 – one of the first business schools in the world to do so – 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 shortcomings. 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.

HOW TO NAVIGATE THROUGH THIS BOOK?

The choice for a multilevel 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-level 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 influences 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 Parts II and III to check who should be taking initiative 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, clips, case studies. 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), *Scoreboard #2* (Chapter 5) and the various frameworks, tools and checklists that are included in Part III. These scoreboards and practice mapping exercises form key checks for an understanding of the problems and opportunities that the SDG trajectory poses. 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 *partnership broker* (explained in Chapter 12).

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 and sustainable development in general. 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 (multilevel) context in which particular SDGs are to materialize.

TEACHING FORMULA: PROVEN AND NOVEL CONCEPTS OF ENGAGEMENT

A textbook that documents in any meaningful, systematic and pedagogical manner why, to what extent, how, and with whom companies can effectively contribute to

achieving the SDGs has not yet been published. This represents the ambition of this book. It brings together the latest insights on dealing with complex societal problems and translating them into relevant business strategies. The frame of the SDGs was chosen not only because it is the most relevant agenda for the world community or because it is embraced by so many (multinational) companies, but also because it provides an excellent basis to study the impact of corporate behaviour on sustainability issues and to discuss all relevant principles of sustainability.

The book benefits from years of experimenting with integrating the SDG-agenda in teaching programmes at bachelor, graduate and postgraduate (executive) level. We were able to develop several innovative teaching tools that facilitated a structured discussion and learning effort around the SDGs at three important levels of analysis:

- (1) **The macro level**, relevant because it defines the 'degree of complexity' of the societal challenges of the SDG-agenda and the approach needed to address them: as wicked problems or wicked opportunity;
- (2) **The micro level**, vital because it defines the strategic repertoire that needs to be adopted by individual companies: making SDGs core requires internal alignment and a solid understanding of the business case for sustainability;
- (3) **The meso level**, equally vital because none of the SDGs can be achieved by companies alone: implementing the SDGs requires external alignment with societal stakeholders.

At each of these levels, tools needed to be developed to enable strategists and researchers to define approaches to effectively address the SDG challenge. They include scanning techniques to understand the wickedness of societal challenges; creating a safe space for developing innovative solutions ('Wicked Problems Plaza'); a web-based tool to map the gap between intention and realization (the 'Better Business Scan'); upgraded CANVAS models to include richer value propositions of companies; poster presentations that can be used to communicate, share and discuss research results; partnership portfolio mapping exercises and tipping point analyses.

This book showcases some of these techniques. They aim to help tutors to include the SDGs in their learning curriculum. The book consequently provides an accessible textbook for graduate and executive students in economics and business studies that are interested in enhancing the involvement of companies in effective approaches towards sustainability challenges in general, and speeding up progress on the SDGs in particular.

SUPPORTIVE MATERIAL

The teaching formula adopted in the book is already applied at RSM Erasmus University. This has resulted in the development of a large number of direct teaching aids (**didactical concepts, modules, posters, SDG cases, mapping and quick-scan techniques**) and in the creation of long-distance supportive material, such as **clips** on all SDGs (embodied in RSM's 'Positive Change' agenda website).

In 2019, the Rotterdam School of Management launched a **MOOC (Massive Open Online Course)** specifically dedicated to the SDGs. The course **Driving business towards the Sustainable Development Goals** introduces all 17 SDGs and includes video statements and cases from business, academia, policymakers and students on how to deal with the SDGs. Learning objectives of this course:

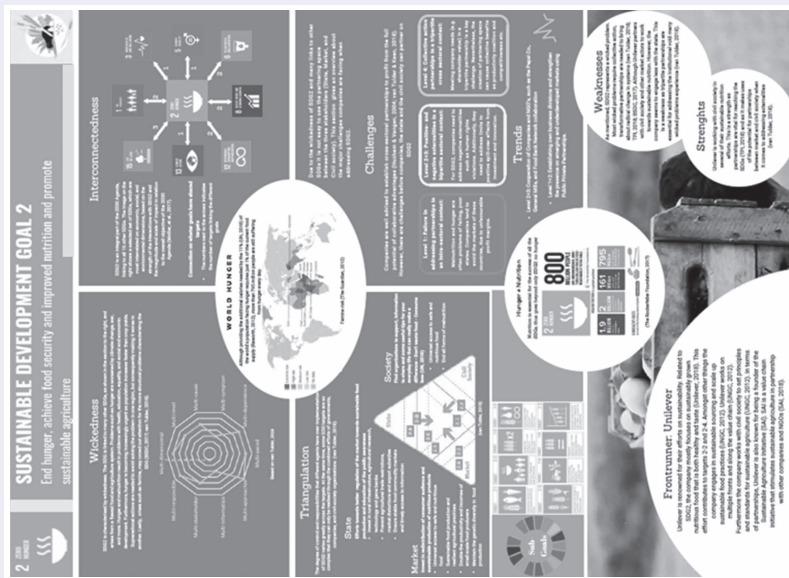
- Know what the SDGs are, why they are important and how each individual can be an agent for positive change in the world;
- Develop a positive, critical, aware and courageous attitude towards the SDGs;
- Be able to identify interconnectedness of the SDGs and the challenges behind solving them;
- Understand the role of business in the transition to sustainable development to create a prosperous future for all.

The MOOC was granted the 'excellence' award by the UN Sustainable Development and Solutions Network. For more information, visit: <https://www.coursera.org/learn/sdgbusiness>.

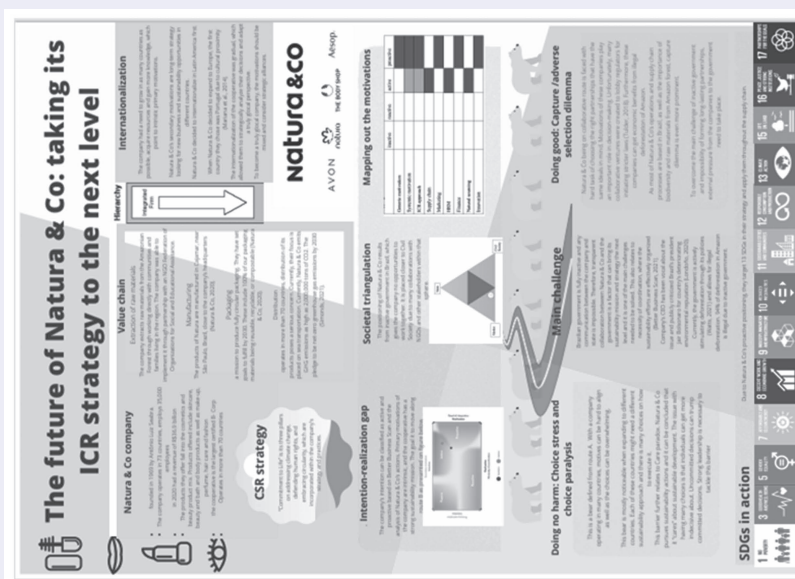
SDG cases: for every SDG, a number of cases (and teaching notes) were written that take a business perspective and involve one or more functional areas of management (strategy, marketing, supply chain management, human resource management, finance). All cases place the presented managerial challenges in the context of sustainable development. Video learning materials and other resources are available at RSM's SDG website: <https://www.rsm.nl/positive-change/sdg-cases/>

In 2020, we launched the **Better Business Scan**. This online tool enables managers to map the sustainability transition phase they are in, the challenges this position entails, and to gain insight into how to take sustainability ambitions further. The scan takes 15 minutes and provides immediate personal feedback. It measures the size of the gap between sustainability intentions (business case) and realization (business model). Based on this position, the most important tipping points the organization is faced with can be analysed, as well as the type of leadership skills needed. In Chapters 9 and 11, we elaborate on the 'intention-realization' gap. The (free) scan and background materials are available at: <https://www.betterbusinessscan.org/>

Poster presentations have proven a fruitful didactical approach to challenge (groups of) students to come to grips with complexity, get to the point, apply a number of analytical and info-graphical techniques, and engage in interrater reliability and peer-review processes that, until recently, were primarily used in scientific conferences (see two examples at varying levels of education).



Example of student poster



Example of student poster

Posters, tools, resources and cases on companies' approaches to the SDGs are released and regularly upgraded on the book's accompanying website: <https://www.principlesofsustainablebusiness.nl/>

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PART I: WHY? SYSTEMIC PRINCIPLES

The creation of the SDGs – a new paradigm for progress?

We are living in uncertain, turbulent times. The term 'VUCA' is nowadays commonly used to characterize the kind of turbulence that society faces. This acronym – introduced by the US Military College towards the end of the 'cold war' (1987–1991) – stands for the intensified Volatility, Uncertainty, Complexity and Ambiguity that technological, political and economic processes are currently creating. The world has become increasingly multipolar – witness the rapid economic development of China, Russia's foreign interferences, the partial withdrawal from the global stage of the United States and the recurrent fragmentation and indecisiveness of the European Union. The unpredictable movements in our VUCA world are considered 'the new normal', yet seriously hamper the way corporations, organizations and people are able to make decisions, plan ahead, manage risks and foster change. This situation becomes even worse if they want to adopt a longer-term perspective, as is required for most of today's societal challenges.

A VUCA world creates tough and pressing challenges, even for those who manage to come to grips with its dynamics, openings and opportunities. Business scholars address these near intractable issues as 'grand challenges' and strategic 'leadership paradoxes' that require cross-sectoral, collaborative and multi-levelled coordinated efforts. Dealing with rapidly amplifying complexity and uncertainty also calls for business model innovations, new forms of decision-making that are fit to cope with the levels of complexity at hand and, ultimately, for rather different mind-sets, values, norms and standards.

21ST CENTURY CHALLENGES . . .

The challenges the world is facing today are enormous. Ecological, economic, geopolitical, demographic and technological forces are shaping an unsettled landscape in search of new balances, adaptive coordinating structures and resilient coping mechanisms. Present-day realities such as climate change, global warming, accelerated biodiversity loss, depletion and pollution of vital natural resources, growing inequalities in income, well-being and life perspective, stagnated economic growth and geopolitical tensions make our societies vulnerable in quite unpredictable ways. Take, for instance, the growing global population, which, at face value, may seem a relatively easy-to-assess demographic factor with clear, foreseeable consequences. But is it? By the year 2050, the earth will probably have to feed around 9.7 billion people. This implies that the demand for food will be an estimated 60% higher than today. If not dealt with effectively, malnutrition, hunger and conflict are likely to arise. If not dealt with responsibly, ecological degradation, biodiversity loss and natural resource depletion will be the result. A growing world population also implies a growing demand for healthcare, education, housing, energy, transport, connectivity and decent income-generating jobs. The hotspot for many of these developments will be Africa, where the highest increase in population (relative to other areas of the world) is expected over the next decades – from one billion to three billion people.

In parallel, developments in digital technology will continue to influence our ability to cope with these entangled societal challenges. The internet has significantly changed the way we live, work, organize and govern society, thereby affecting or redefining values such as security, privacy, economic value, accountability, fairness and inclusivity. However, the effects of the massive introduction of social media and instant interconnectedness on (social) skills development, productivity and our mental, emotional and physical health are still largely unclear. Digital developments enhance problem-solving capabilities, for instance by producing better data, fit-for-purpose intelligence and smarter coordination. Nevertheless, digital developments may also amplify power concentration, inequality ('digital divides'), erosion of civil rights and disruption of governance, thereby exacerbating societal tensions and vicious dynamics.

Amidst these rapid developments, the gender gap in such crucial domains as access to health, education, earning potential and political power is only decreasing slowly, despite the recognition that gender equality makes perfect economic sense. It has been calculated that at current rates, it will take another 118 years to close the economic gender gap entirely. These challenges, and many concurrently related developments, are highly interlinked, global in scale and complex in nature. How to approach them effectively is open for debate and dependent on emerging insights. The example above is just one of the profoundly interrelated effects that global change processes trigger.

ENTER THE SUSTAINABLE DEVELOPMENT GOALS (SDGs) . . .

On 25 September 2015, the United Nation's Sustainable Development Goals (SDGs) were released as part of the *2030 Agenda for Sustainable Development*. On that date, all 193 member countries of the United Nations unanimously committed to achieving 17 ambitious and interrelated Global Goals by 2030 (UN, 2015). These goals were established following a massive almost three-year global multi-stakeholder consultation process in which hundreds of big and small corporations, governments, civil society groups, knowledge institutes and other organizations participated. In fact, the SDGs represent the most extensive public consultation in the history of the United Nations. The United Nations' survey 'MyWorld2015' asked 9.7 million citizens what they would like to see included in the new goals that were to supersede the preceding Millennium Development Goals as established in the year 2000. The 17 goals and 169 targets resulting from this global consultation process range from eradicating poverty and hunger, improving access to health and education and ensuring human rights, to climate action, protecting ecosystems and safeguarding biodiversity (Figure I.1).

The SDGs are aimed at advancing a diverse range of crucial sustainable development themes simultaneously, with universal coverage, involving all societal stakeholders and through an inclusive approach. But they have also encountered criticism for either being too ambitious and too complex or not being ambitious enough, especially with regard to the modalities of their execution and the omission of addressing crucial financial considerations like *who is going to pay?* Notwithstanding this highly relevant and critical discourse, the SDGs are generally considered to constitute the leading frame of the global sustainable development



Figure I.1 The Sustainable Development Goals

agenda until 2030, in particular for governments around the world. Under which conditions will they also be the leading agenda for corporations? **Part I** of this book will examine three ‘why’ questions related to the ambition of ‘Transforming Our World’ (UN, 2015): (1) Why now? (2) Why not? and (3) Why slow?

WHY NOW?

Chapter 1 discusses why the introduction of the Sustainable Development Goals as a global agenda is not only a challenging ‘outcome’ ambition, but also signals an urgently needed and timely ‘paradigm shift’ in the thinking on the conditions for global sustainable development and the role(s) to be played by societal actors – such as companies. The SDGs are a novel way of addressing the systemic ecological, economic and social crises of our VUCA world: they are explicitly inclusive, based on positive frames for change, defined as universal challenges, complexity-sensitive, principles-based and collective action-oriented, and based on joint investments (rather than on subsidies, philanthropy or aid-assistance only). Chapter 1 clarifies why this global comprehensive effort can be considered a new paradigm for governments, citizens and corporations alike, and why the SDGs can be appraised to signal the dawn of a new era.

WHY NOT?

The paradigm status of the SDGs as a leading reference framework critically depends on its theoretical and practical elaborations, as well as on how gaps in its original (2015) set-up are tackled. The SDG approach was designed as ‘work in (and on) progress’, requiring permanent scrutiny in its indicators, strategies and implementation experiences. The SDG-agenda supports a ‘learning by doing’ approach – not in the least because of the inherent complexity/wickedness of the sustainability problems that are to be addressed under VUCA conditions.

Chapter 2 scrutinizes in more detail the SDG approach from a variety of directions: its (general) design, its (broad) ambitions, its (dashboard) measurement approach, and its adoption of a (multi-stakeholder) process to upgrade and learn during implementation. Implementing the new paradigm faces a considerable number of challenges. Understanding these key challenges – and the logic of the approach chosen – forms the main objective of this chapter.

WHY SLOW?

The effectiveness of the SDG-agenda is as much influenced by dealing with criticisms as by adequately addressing the identified challenges and embracing the

opportunities these can entail. Success of the SDGs hinges on their reception in society and the degree of ownership by different societal stakeholders. **Chapter 3** takes stock of the first four-year cycle of SDG implementation, which ended in September 2019. The assessment of this first phase tells two stories: how the SDG-framework has been further developed and fine-tuned, and the extent to which specific flaws in its set-up could be resolved with the involvement of multiple agencies and stakeholders. We will see that the SDG-agenda presents an encouraging and promising 'hybrid governance' approach, but not without flaws, intellectual voids, coordination bottlenecks and significant empirical gaps (for instance, in accumulating all relevant data to track progress). The chapter will, therefore, also explain why progress has been slow on almost all accounts and identify entry points for addressing that state. Chapter 3 lists the conditions under which approaches to the SDGs can be considered successful, while also signifying a 'paradigm change' in the thinking of and way of organizing sustainable development. These conditions serve as the agenda for the remainder of the book and for corporate action on the SDGs in the post-2020 period: **Part II** (What and Who) and **Part III** (How).

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PART II: WHAT AND WHO?

SOCIETAL AND DYNAMIC PRINCIPLES

The SDGs as wicked problems or wicked opportunities: Who should address what?

In Part I, we argued that the Sustainable Development Goals (SDGs) highlight a paradigm shift in the thinking on and approaches to the 'grand' and 'systemic' challenges of the present. The 2030 Agenda, an ambitious effort of multilateralism that is simultaneously networked with corporate actors, national governments and civil society stakeholders, is probably the only feasible approach to cope with systemic challenges. But we live in a so-called 'VUCA world' (Chapter 1). A Volatile, Uncertain, Complex and Ambiguous world generates *divergence* and rivalry with highly uncertain outcomes. This uncertainty and rivalry is not incidental but systemic, and needs to be understood as the expression of longer-term change generated by the rise and decline of techno-economic paradigms and related societal models. The stakes are consequently high. The 2030 Agenda, with its SDGs, presented a timely venturous strategy to create *convergence* around common goals. It introduced a framework of common principles through coordinated processes of multi-stakeholder engagement (Chapter 2), which should help organizations to consider the conditions under which they need to develop transformative sustainable development strategies.

Key principles on fundamental 'why' questions introduced in Part I include:

- **Holistic:** a holistic and integrated view is needed because of paralleled systemic failures and increased rivalry;
- **Inclusive:** the principle of 'no one left behind' applies as a minimum benchmark for successful approaches;

- **Partnering** is important to create 'procedural justice' in working towards the four other principles: People, Planet, Prosperity and Peace;
- **Legitimacy** is at stake; all actors need to address the increased trust gap that is associated with major transitions, in order to support positive change (race to the top) and depress negative change sentiments;
- **Common purpose-driven change** creates opportunities, but requires constant feedback and learning on what works and what does not work;
- **Core:** companies, governments and civil society organizations should embrace the SDGs as part of their core strategy and responsibility, not as add-on philanthropic activity;
- **Divergent roads** are not necessarily a problem; they drive and shape the required change dynamics, but should be 'channelled' in order to address voids, fill remaining gaps and develop better approaches through the engagement of multiple stakeholders.

The experience of the first four-year cycle of the SDG journey shows that the process is not progressing at the required pace and scale for a variety of reasons. Stepped-up efforts at all levels of society, across all sectors and by all parties involved are required (Chapter 3). But *who* is going to address *what*, and based on what principles?

Part II considers the next steps in delineating *Principles of Sustainable Business* regarding 'what' and 'who' questions. Who should address what issues? *What* does a systemic and principled approach to grand challenges entail, and what does an inappropriately aligned approach imply ('what if')? The SDG-agenda represents complex challenges that are quickly denounced as 'too complex' to deal with. 'Wicked problems theory' shows that the latter question, in particular, reflects the challenge of linking what and who questions. *Who* is going to address what challenges (and when)? Part II uses systems, complexity, ethical and governance (agency) theory to clarify and define principles of taking, assigning and having responsibility for addressing each of the SDGs. In three chapters, Part II develops a consistently built up, step-by-step *framework of societal triangulation*. It introduces methods that enable the analysis of relevant dimensions of complexity and main societal sources of wickedness while taking into account hybrid forms of organizations and governance. Part II also delineates relevant approaches to societal challenges, in terms of appropriate intervention levels and partnership configurations that can be considered best fit to trigger the kind of change processes required.

WHAT IF?

Chapter 4 explains the implications of looking at the nature of the challenges posed by the SDGs in terms of *wicked problems*. Wicked problems are

complexly dynamic and systemic and do not have (clear) solutions – only solution-oriented approaches that require multi-stakeholder action. The chapter inquires how ‘wicked’ the various challenges as specified by the SDGs are, and what type of ambiguities they represent. The chapter defines a wickedness scale consisting of *ten complexity dimensions* to delineate the *degree of wickedness* of a societal problem. Assessing the various degrees of the complexities involved can indicate the extent to which collective action is needed. Chapter 4 illustrates how these scales can be applied to various SDGs and what techniques can be used – even by non-experts – to assess the ‘wickedness’ of targeted parts of the SDG-agenda.

WHAT AND WHO?

Chapter 5 changes the perspective drastically by looking at the SDGs as *wicked opportunities*: through the creation of ‘synergistic value’ and ‘collaborative advantage’. It considers the question of *who* should be involved in addressing specific societal challenges. The chapter introduces a ‘societal triangulation’ technique. By defining the societal origins of the problem, it becomes possible to understand who is best positioned to take responsibility for addressing the problem effectively. The chapter distinguishes *four intervention levels* at which societal issues occur and change processes can be initiated. These are based on a more detailed understanding of the primary (or fiduciary) duties of actors within three distinct yet complementary societal sectors (state, market, civil society), and the extent to which they can be held responsible for the consequences of their action – or inaction. The more complex the sustainability challenge, the more collective action is needed. Consequently, Chapter 5 defines the ‘partnering space’ as the logical ‘arena’ in which to address the most transformative ambitions of the SDG-agenda. We will argue that many partnerships have been created as ‘coalitions of the willing’ that do not necessarily align with the wicked nature of the problem. The final part of this chapter hence introduces a supportive step-by-step approach to consider whether the *partnership configuration* adopted can be considered to match the level of societal complexity involved, and what improvements are needed to make the partnership set-up ‘fit for purpose’.

WHO?

Chapter 6 considers the *governance challenge* posed by the SDG-agenda in more detail: how to move from a primarily rules-based governance model and a narrow view on ‘fiduciary duty’ to a more principles-based governance model that includes a broader take on fiduciary responsibilities. Throughout the years, a large variety of organizational forms has developed in response to societal challenges

that necessitated a different take on organizing. Chapter 6 further fine-tunes our understanding of the rich variety of *hybrid* organizational forms and consequent approaches to societal challenges. It first defines the kind of *societal interfaces* that different organizational forms have been designed to manage. To some extent, hybrids may be better able to deal with certain types of sustainability challenges. But hybridization also poses additional *responsible governance* challenges. The higher the degree of complexity involved, the more difficult it is to create hybrid organizations that can deal with all governance challenges effectively. At the international level, hybridity takes the form of simultaneously dealing with distinct governance contexts. Organizations that internationalize their upstream and downstream activities across national borders have to deal with different CSR/sustainability regimes. Whereas international treaties between countries provide for some extent of governance, a largely unmitigated and unregulated space exists at the global scale. This global governance gap is the space where the SDG-agenda aims to facilitate positive change that stimulates a 'race to the top' rather than a 'race to the bottom'.

PART III: HOW?

STRATEGIC AND OPERATIONAL PRINCIPLES

How to accelerate corporate action for the SDGs?

"If I had to select one sentence to describe the state of the world,
I would say we are in a world in which global challenges are
more and more integrated
and the responses are more and more fragmented,
and if this is not reversed, it's a recipe for disaster".

António Guterres, Secretary-General of the United Nations

Part I and II explored *Systemic, Societal and Dynamic Principles* of sustainable business. We discussed these principles in general, but also linked them to the Sustainable Development Goals (SDGs) – the leading global agenda to collectively and collaboratively deal with the world's grandest challenges in a transformative way. We covered foundational 'why', 'what' and 'who' questions and contended that sustainability issues are not only material from a 'negative duty' point of view (wicked problems, immediate and slow-burning crises, 'avoid doing harm'), but also hold significant (wicked) opportunities for navigating much-needed progress towards a more balanced and resilient global society. In that universal ambition, the goal-oriented SDG framework provides a unifying and actionable positive change agenda that has proved instrumental in mobilizing, coordinating and pooling the commitment, efforts and means of large groups of stakeholders from all societal sectors (state, market, civil society) around the world.

The first four-year cycle of the SDG trajectory (2015–2019) also showed that implementation of the SDGs comes with sizable conceptual, empirical and governance challenges. Progress towards achieving the SDGs has been too slow. The

2020–2030 period has consequently been declared a **Decade of Action**. Faced with a series of paralleled systemic crises – with the Covid-19 pandemic, heightened global economic uncertainty, hunger, a refugee and migration crisis, ecological degradation and climate-related crises as the most tangible symptoms of system fragilities – the urgency of transitioning towards a more resilient society is becoming rapidly clear. But how can such profound transitions be accelerated through actions of the private sector? How can the SDGs be meaningfully incorporated into the business models, corporate strategies and day-to-day operations of (multinational) companies and other private organizations in an actionable and forward-thinking way? How to use the power base and position of companies in (global) value chains for effecting positive, scalable and more impactful change – alone and together with others? With these key questions in mind, Part III concentrates on *Strategic and Operational Principles* for placing societal value creation, sustainability and the SDGs at the heart of corporate decision-making, functional-level processes and coherent strategy implementation.

AGENTS OF CHANGE?

From the outset, the active participation of private organizations has been considered pivotal for achieving the SDGs by 2030. *Transforming Our World: The 2030 Agenda for Sustainable Development* explicitly acknowledges “the role of the diverse private sector, ranging from micro-enterprises to cooperatives to multinationals” in the implementation of the new Agenda (UN, 2015: para. 41). Then UN Secretary-General Ban Ki-moon ascribed the most dynamic role in the SDG endeavour to the private sector: “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.”¹ Likewise, then head of the United Nations Development Programme Helen Clark affirmed that “the new sustainable development agenda cannot be achieved without business” (ibid). These statements underline a significant shift from earlier thinking about sustainability that considered development issues predominantly ‘government territory’ (Part I). Corporate leaders themselves strongly supported the positioning of business as an active contributor to the achievement of the SDGs, and not surprisingly so. If taken on vigorously, the SDGs could unlock an estimated annual \$12 trillion in business opportunities by 2030, while creating hundreds of millions of much-needed jobs. In the corporate community, the SDG-agenda was received as “a compelling

1 UN News Centre, 26 September 2015. <https://www.un.org/sg/en/content/sg/statement/2015-09-26/secretary-generals-remarks-united-nations-private-sector-forum>

growth strategy for individual businesses, for business generally and for the world economy” (Business & Sustainable Development Commission, 2017: 11). In the words of Paul Polman, former CEO of Unilever: “the SDGs provide the world’s long-term business plan by putting people and the planet first. It’s the growth story of our time.”

Private organizations, as was outlined in Chapter 6, come in different shapes, sizes and governance structures, and can epitomize combined (hybrid) functions across societal interfaces (Figures 6.2 and 6.3) and across national borders. Private organizations in general – and large multinational corporations specifically – are relevant ‘agents’ in addressing the SDGs, for a variety of reasons:

- They are able to innovate through their ability and willingness to take risk. Companies – in addition to governments – are the largest investors in (new) technologies;
- They create jobs, products and services and can help develop new organizational practices and standards – alone, within their sector or together with other societal actors;
- Stimulated by productive competition, they show great ability in scaling activities and in boosting efficiency, thereby (potentially) enhancing cheaper solutions for more affordable and accessible (needs-based) products and services;
- They can mobilize substantial and timely financial resources, either on the open stock market or as part of other financial arrangements;
- Reaching the SDGs requires a sizable increase in targeted public and private investments (estimated between \$5 to \$7 trillion per year); the annual ‘financing gap’ of \$2.5 trillion that is to be bridged, pales in comparison with the more than \$200 trillion of global assets under private management;
- Multinational organizations are able to correct ‘market failures’ across borders, by *internalizing* markets and organizing practices on an international scale;
- Due to their often powerful positions in networks, technologies and sectors, large companies can be a vital enabler, but also be a formidable *barrier to change* if they are not involved in the change process.

Large (internationally active) companies tend to be better positioned to innovate, standardize and scale; smaller and locally embedded businesses are often more capable of flexibly responding to immediate challenges; start-ups and social enterprises are usually better able to take up social challenges in an inventive and entrepreneurial manner, but often have difficulty in scaling and reaching sufficient impact on the more wicked sustainability problems.

WALKING THE TALK . . .

These core competences give companies promising potential to contribute to the SDGs and create added societal value. Their perceived commitment to actually deliver on that potential is nevertheless surrounded with considerable scepticism and low levels of trust (Chapter 5). Merely espousing general principles of 'good governance' and 'responsible management' is not enough. Society expects companies to define, commit to and deliver on far more concrete *strategic and operational principles* of sustainable business, translated into measurable (and verifiable) sustainable practices, outcomes and impacts. But even with sustainability-oriented and SDG-committed companies, a certain disconnect between 'intention' and 'realization' in the implementation of strategic aims is still probable (Mintzberg, 2015). *Walking the talk* and closing the *promise-performance gap* proves exacting in practice, especially when confronted with the more 'wicked' dimensions of sustainability challenges (Chapter 4).

Companies face barriers – of various kinds, at different responsibility and ambition levels, and in subsequent organizational transition phases – in incorporating the SDGs into their core activities. The UN Global Compact, for instance, found that 67% of their corporate signatories are committing to sustainability at the CEO level, yet only 48% are actually implementing sustainability into operations (UN Global Compact and Accenture, 2019). While 71% of the CEOs recognize the critical role that business could play in contributing to delivery of the SDGs, a mere 21% believe that business is indeed playing that role. The Sustainable Development Solutions Network (SDSN) and Bertelsmann Stiftung have repeatedly pointed to the problem of companies 'not walking the talk'. UN Secretary-General Guterres hence called upon businesses to significantly raise their efforts (September 2019): "Business leaders have a critical role to play in the Decade of Action. I urge all companies to drive ambitious SDG actions throughout their operations and supply chains, embedding human rights, labor, environment and anti-corruption into core business. Business and finance can lead through their actions and investment decisions an economic transformation that leaves no one behind."

OVERCOMING STRATEGIC AND OPERATIONAL SUSTAINABILITY CHALLENGES . . .

Even well-disposed 'agents of change' can in fact become 'agents of stagnation' – or fall prey to the *incumbent's curse* – if they are not able to seize the momentum provided by the SDGs. The early experience of companies in operationalizing and integrating the SDGs into their sustainability strategies and operations

(summed up in section 3.4.3), indicates that companies are struggling with at least five interrelated challenges:

- **Materiality challenge:** what constitutes ‘sustainability’ and ‘long-term value creation’ is continuously evolving. Companies have trouble with exploring, selecting and prioritizing those (sets of) SDGs and SDG-targets most relevant for directing the organization towards a more resilient business model that aligns with (tomorrow’s) societal expectations and needs. If there is insufficient fit between the organization’s SDG-portfolio, its longer-term strategy and operational activities, sizable intention-realization gaps are bound to appear. This is reflected in the fact that many companies have experienced great difficulty in defining viable SDG-related ‘business cases’, at various sustainability ambition levels.
- **Legitimacy challenge:** especially large multinationals with substantial vested interests and powers encounter the challenge of having to overcome considerable trust gaps when they communicate and attempt to implement sustainability aspirations to ‘do good’. Studies on the CSR intentions of companies are littered with *failure to walk the talk*, feeding into public distrust. Stakeholder pressure for more detailed measurement and sustainability reporting that should corroborate SDG performance and impact claims, is mounting accordingly. Gaining societal legitimacy requires convincing, dedicated and results-oriented SDG efforts, while averting the pitfall of the self-promotor paradox and related allegations of *SDG-washing*.
- **Transitioning challenge:** early practice shows that companies incline to ‘avoiding harm’ SDG-targets in particular, as part of a (reactive) reputation-driven and risk-mitigation approach to *limiting negative externalities*. ‘Doing good’ SDG-targets (aimed at creating and *scaling positive externalities*) can provide promising investment opportunities with great potential for transformational change, yet require a (pro)active and forward-looking approach to sustainability, a more sophisticated value orientation, new business concepts (inclusive, circular, sharing, regenerative, fair), as well as profound adjustments in present business models and modes of (value chain) organizing. Overcoming the many *internal barriers* and tipping points to organizational transitioning is challenging enough as it is. However, the *external business environment* (e.g. competitive forces, market push/pull, regulatory frameworks, industry standards, stakeholder expectations, consumer behaviour) is always part of the equation and hence must be positively influenced in parallel to enable accelerated change at scale.
- **Nexus challenge:** companies have been found to cherry-pick the SDGs, selecting those SDGs that appear more ‘easy to achieve’ while largely

ignoring the SDG-framework's *integrative logic*. Due to such siloed practices, companies have only scratched the surface of using the SDGs to map and leverage nexus interactions for synergetic effects. An integrated yet well-targeted approach to the SDGs reveals options to minimize negative externalities while optimizing positive externalities. The link between micro-interventions and macro-effects has yet to be convincingly connected to actionable business strategies.

- **Partnering challenge:** the inclusion of societal actors around SDG-related challenges has remained fragmented. Companies are struggling (or neglecting) to develop and integrate coherent cross-sector partnering strategies that match their SDG portfolio, and fall short in organizing sufficient institutionalization and organizational learning that would allow for greater outcomes and impact. Sharing responsibilities and engaging in issue-driven 'partnerships for the SDGs' comes with an array of internal and external coordination problems that have been constraining the full potential of collaborative arrangements.

These challenges translate into six strategic and operational 'how' questions, which constitute the chapters of Part III.

MAKING IT RESILIENT

Business cannot thrive in a society that fails; societies cannot be resilient where businesses blunder. Societies are probing for 'resilience' – the capacity to survive, adapt and grow in the face of societal stresses and shocks. A resilient society requires resilient organizations that are able to act upon different levels of 'failure', as identified in Chapters 5 and 6. A VUCA world with destabilizing tendencies triggers and exacerbates incidents, conflicts and (systemic) crises. Triggering events (incidents, structural, systemic) prompt organizational change, but to what extent can bouncing back from adversity result in positive change trajectories? Can corporate strategies effectively contribute to sustainable development and advance social, economic and ecological resilience in the process? **Chapter 7** develops general principles of **organizational resilience**. It synthesizes the history of managerial and scholarly thinking on sustainable business models (the CSR ambition of companies) and zooms in on the mutual dependence of business and society in preventing, coping with, and recovering from triggering events with ascending scopes of impact. The chapter distinguishes between more resilient/balanced and more vulnerable/fragile business models, by considering four levels of intervention at which organizations take on responsibilities in the face of grand challenges.

MAKING IT STRATEGIC

Chapter 8 looks into opportunities and viable ways for aligning organizational and societal ambitions in a sustainable manner: the quest for the sustainable ‘business case’. It delineates a basic strategic framework for private organizations to implement the SDGs at all four levels of intervention as identified in Part II: (1) addressing failure; (2) limiting negative externalities; (3) creating and scaling positive externalities; and (4) fostering collective action. The chapter contends that a wealth of **business cases for sustainability** exist – each with their own rationale – that can be defined at four intervention levels and approached from two distinct angles: starting from a for-profit and a non-profit base. For-profit and non-profit-oriented private, semi-private or semi-public organizational forms represent distinct competences, governance logics and strategic ‘repertoires’, resources and business models for addressing sustainability challenges. The observed *hybridization* trend (Chapter 6) points to an expedient blending of logics: for-profit organizations are trying to achieve greater societal impact, while non-profit organizations are trying to become more efficient in achieving their impact. Chapter 8 shows that seven different governance models all present complementary approaches to the SDG challenge – each with their own strengths and potential pitfalls.

MAKING IT MATERIAL

Chapter 9 considers how the business case for sustainability can be linked to the ‘materiality challenge’ of business model innovation. How can companies break through a passive or reactive attitude towards sustainability issues and timely overcome the ‘incumbent’s curse’? Building on synthesized insights from extant literature on key drivers of business model innovation, stakeholder theory, societal legitimacy and stage models of organizational transitioning, this chapter introduces the notion of *reversing materiality*. This outside-in perspective takes societal needs as the starting point for future-oriented strategizing and serves as a useful lens in organizational goal-setting that aligns with the SDGs. Chapter 9 additionally presents an *extended value theory* of the firm: ‘the CANVAS+ model’. By including ‘value destruction’ (level 2), ‘value spreading’ (level 3) and ‘value co-creation/sharing’ (level 4) dimensions – in addition to creating, designing, capturing and scaling value (level 1) – the upgraded business model canvas helps organizations to define a *richer/broad value proposition* as well as identify those aspects of their business model that are more vulnerable or more resilient. Defining **Key Value Indicators (KVIs)** guides the process of redefining the value orientation and purpose of the

organization in order to become more resilient, generate greater societal value and contribute to a sustainability ecosystem that is circular, inclusive, sharing and social. The chapter concludes with what such ambition implies for dynamic and sustainable leadership.

MAKING IT POWERFUL

Ambitions to integrate the SDGs into core business remain elusive unless organizations are able to translate their aspirations into effectual corporate strategies. **Chapter 10** considers how sustainability ambitions can be made 'actionable' at scale, by exploring the 'power dimension'. In a VUCA world – packed with power imbalances and power exertion that add to the wickedness of problems – *not* taking corporate power into account would present a naive position. *Power abuse* is perhaps one of the most *overrated* aspects in the critical discourse on sustainable business, feeding into almost ideological cynicism on the 'greenwashing' nature of CSR efforts. Smart *power use*, on the other hand, is one of the most *underrated* aspects in the constructive discourse on sustainable business model innovation, feeding into overly optimistic and gullible expectations of companies' willingness to engage in sustainability at a sufficiently ambitious level. This chapter connects **corporate power exercise** – at the societal level, in value chains and across borders – to realistic strategies for impact-driven change. It operationalizes the power base of core/lead/focal organizations in terms of positioning, discursive and normalizing powers, spheres of influence, and 'hard', 'soft' and 'smart' power use. It also identifies **Key Decision-making Indicators (KDIs)** that define the nature of the strategic decisions that must be taken to overcome critical 'tipping points' in upgrading and upscaling sustainable business models. SDG alignment is accordingly elaborated as a strategic 'prioritization' and 'nexus' challenge: how to create leverage through smart combinations of SDG-targets that fit the corporate strategy. The design of an empowering **sustainable corporate story** conveying the 'logic' of societal value creation can provide a powerful means to mobilize and engage stakeholders.

MAKING IT FUNCTIONAL

'Walking the talk' and bridging the **intention-realization gap** also holds an operational challenge. Effective implementation of corporate sustainability ambitions into daily practice presents an *internal alignment challenge* in search of **operational fit**, while concomitantly maintaining a dynamic balance with the ever-changing business environment. Organizational transitioning affects different parts of the

organization differently. Strategizing and organizing become intertwined, representing a formidable vertical and horizontal alignment challenge. How to govern change and manage internal processes of *integration, coordination and coherence*? And in parallel, how to *map, measure, report and communicate* on SDG-relevant progress, performance and impact amidst a 'metrics jungle'?

Chapter 11 operationalizes the corporate sustainability approach at the level of functional departments. It dives into the diverse ambition levels, practices, drivers, balancing acts, barriers to action and key tipping points of seven functional management areas: purchasing, operations management, marketing, finance, HRM, innovation management and communication. It elaborates how Key Decision-making Indicators (Chapter 10) can be translated into **Key Performance Questions (K PQs)** and contextualized **Key Practice and Performance Indicators (KPIs)** to help companies navigate operational coherence across functional departments and guide transition processes towards higher levels of sustainability. The chapter shows how vertical and horizontal alignment around *internally actionable SDG-targets* can be used to leverage organizational processes of sustainability integration, coordination and coherence. SDG fiches per functional department provide entries for further exploring leads towards an SDG portfolio that is both strategically and operationally 'fit'.

MAKING IT COLLABORATIVE

Chapter 12 then moves on to the meso level: how to develop effective and impact-driven SDG partnering strategies? Cross-sector partnerships (CSPs) are widely recognized as a key enabler and the principal way forward to serve the SDGs. For many companies, the question is not *whether* CSPs are relevant in operationalizing and implementing their SDG ambition, but rather *how* such partnerships can be successfully formed, organized, governed, intensified and eventually phased out. Cross-sector collaboration is complex – and *collaborative value* challenging to create and harness – which is among the primary reasons why on the ground progress on the SDGs has been slow. This chapter addresses the kind of motivational drivers, choices, tensions and dynamic complexities to anticipate in processes of **(re)configuring, managing and upgrading SDG-fit partnerships**. It looks into foundational organizational, relational and adaptive design challenges, varying ambition levels and governance logics among organizational partners, partnership 'fit' dimensions for impact, and CSP efficiency and effectiveness considerations. Effective partnering for the SDGs calls for 'complexity-sensitive' intervention strategies ('Theory of Change') and developmental evaluation methods that allow for 'learning and adjusting while doing', to develop ever more effective interventions along the way. Accordingly, this chapter

delineates four **impact loops** for learning and partnership upgrading, and concludes with a corporate level strategic challenge: how to reconfigure and manage a **portfolio of partnerships** by using the SDGs as reference frame for partnership portfolio improvements.



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