

Far to go: Nine takeaways from a survey of businesses' progress on the journey to achieving the Sustainable Development Goals

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The Asian Conference on Sustainability, Energy and the Environment 2019
Official Conference Proceedings

Abstract

This paper investigates the current status of companies that are updating their existing sustainability initiatives in light of the launch of the United Nation's Sustainable Development Goals (SDGs). Interviews were performed with more than 60 multinational corporations, SMEs, startups, investors and financial institutions, NGOs, industry associations and sustainability service providers.

While the field of reporting on SDG impacts is in flux, most companies that have sustainability programs are aware of the UN's 2030 Sustainable Agenda and are trying to figure out how they can use their current approaches to sustainability to map their efforts to the SDGs. Companies that have set out on a sustainability journey have a wealth of options to choose from for measurement, disclosure and crafting strategy. But there is still far to go.

Based on our research of how businesses are responding to the SDGs, we outline nine takeaways that capture the current state of progress of companies adopting sustainable business models. Our focus in this paper is on four that we believe are the most telling in terms of what it will take to make sustainability fundamental to business models: This is a journey that companies are on and no one has mastered it yet; companies must move beyond a "Vision" for Sustainability to fully systemizing their initiatives; employees want to understand how sustainability will impact their work; and there is a race for talent who understand sustainability.

Keywords: Sustainability, Business, Business Transformation, Change Management, Sustainable Development Goals, Disclosure

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The International Academic Forum
www.iafor.org

Introduction

Over the past nine months, we have interviewed some 60 organizations worldwide—global corporations, mission-driven companies, investors, thought leaders, think tanks and industry associations—about their approach to using the United Nations’ Sustainable Development Goals (SDGs) in a business context. We approached the subject with the thesis that more companies were using the SDGs to realign their business strategy and change their operations to improve their competitive posture and help meet the goals for society and the environment. In the process we became familiar with a wide range of philosophies of, systems for and challenges in operationalizing the SDGs for business. In this paper we cover our discoveries from our conversations with leaders of the corporate sustainability movement.

Our interviews took a qualitative approach, gathering stories from sustainability practitioners, learning about best practices, understanding the investor perspective, and discovering the latest methodologies. At the same time, we have done background quantitative research on the number of companies hitting certain milestones in their sustainability journey; how companies embracing SDG programs are performing versus peers; and how the SDGs are being mapped across to business KPIs.

Now there’s a plan

Suddenly the earth has a strategy. The release of the United Nations’ Sustainable Development Goals in 2015 was the culmination of more than a century-long, international evolution in our understanding of social and environmental issues. As a result, the business world now has a new pilot in its social journey. The global consensus represented by the launch of the SDGs is intimately connected to the development of corporate philosophy and practices, in particular to an understanding of the responsibilities of business that goes back to the mid-20th century.

The launch of the SDGs has transformed Corporate Social Responsibility (CSR), Environment, Society, Governance (ESG) concepts and the other threads of corporate sustainability thinking into a whole new integrated approach to business. Now, with the best researched methodologies and new innovative tools, companies can make business cases for sustainability reporting and strategy development. They can adopt whole systems approaches to understand how their companies exist within their marketplaces, value chains and communities. And there are a wide range of options that they can choose from to do the most relevant reporting and operations transformations today.

At this point in the evolution of the sustainability field, when it comes to sustainability reporting, we believe that what is most striking today is what happens *after* reporting. Basic sustainability reporting activities have been well established for a while and are quickly becoming a de facto part of businesses’ annual schedule, whether as CSR reports, standalone sustainability reports, or integrated reports that combine financial and sustainability accounting. Now, though, there is also a wealth of options that companies can apply when they look to take the next step and actually transform their business planning and strategy in order to more completely put sustainability in a core position. The key, though, is to spread these activities and knowledge beyond the sustainability practitioners in an organization to the broader work force that performs both the company’s core and support functions.

Nine takeaways

While there is a sea change going on in the business world when it comes to its stance on sustainability, we quickly discovered in our research a host of common issues that businesses are struggling with across industries. The nine biggest takeaways we found are that:

- 1) Sustainability is not yet fundamental to business models—This is a journey that companies are on and no one has mastered it yet
- 2) Companies are trying to move beyond a “Vision” for Sustainability to fully systemizing their initiatives
- 3) Within organizations employees desire to understand sustainability and how it will impact their work
- 4) There is a race for talent, who are becoming pickier about a company’s position on sustainability
- 5) Companies are struggling to measure and assess performance on the SDGs—there are a lack of widely agreed to frameworks and tools, which deters companies from fully moving their businesses toward sustainability
- 6) Investors are acting as enlightened managers of capital to light the way and drive adoption
- 7) Greenwashing is not possible, cheap talk is easy to uncover with new frameworks and benchmarking
- 8) The supply chain is a major focus of sustainability efforts; there is great room for progress here
- 9) Collaboration and partnership are essential to success; efforts required are too complicated to do alone

The first through fifth takeaways are highly indicative of the current status of progress of companies adopting sustainable business models. Needless to say, most companies have a long way yet to go in incorporating sustainability in their business models. It’s a spectrum—a journey—and companies are at different points along the way.

Many companies have discussed the SDGs internally and, either on their own or with expert help, mapped their current business activities across to the 169 targets contained in the SDGs. Based on these activities, they have then determined which SDGs are the most important to their business and formulated a vision of where they want to be on a selection or all of the 2030 goals. But the next step of building a strategy around that vision and communicating it in a meaningful way throughout the organization, one that is understood, embraced and acted upon by their workforce, is a stumbling block for all but the best positioned of organizations—and a challenge to even the most advanced.

Talent both hold the key to making progress and are a risk to companies that are underperforming on sustainability. Employees that understand the concepts around sustainability and believe in a company’s sincerity in addressing these issues are vital to success.

Far to go

The organizations we spoke to largely said that their companies are broadly embracing the SDGs and, more generally, sustainability. Rather than reveal great progress in achieving sustainable business models, though, we were under the impression from these discussions tend to happen at an earlier stage of an organization's journey.

To confirm this, we looked at annual reports, which we saw as the most important document for communicating an organization's mission and strategy, of a range of businesses that were considered sustainability leaders. We found that the vast majority of companies surveyed are now mentioning the SDGs in their annual reports, have mapped the SDGs to their business activities and are discussing them in relation to their strategy (Figure 1).

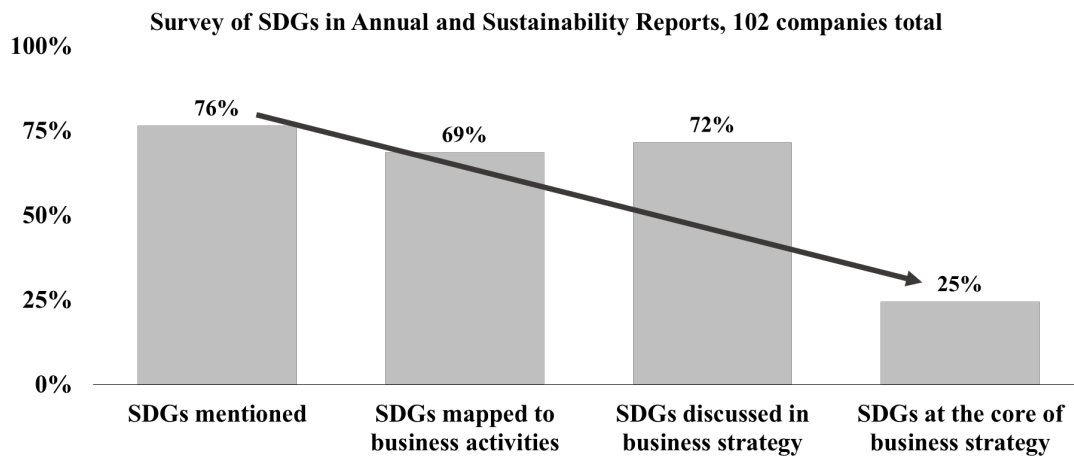


Figure 1 Organizational Factors

However, very few businesses have put the SDGs at the core of their business strategy. To assess this, we looked at what whether they are developing or already offer products and services that are “sustainable,” if they're moving to operationalize sustainability in their strategy and operations via supply chain modifications, supplier validation and other initiatives, or if they see sustainability as a driver of growth and cost efficiencies going forward.

Our direct conversations with companies supported these findings. While we spoke with many leaders in the field of sustainability and discussed their ambitious visions and plans, it was apparent that almost none of them could be considered to have a fully sustainable business model. Thus it was apparent that sustainability is not yet fundamental to business models; this is a journey that companies are on and no one has mastered it yet. At the best, the majority of companies are at the stage of priority and vision setting for sustainability strategies, and struggling to move to the next level.

Taking the next step—From Vision to Execution

Aligning an organization around an ambitious Vision is challenging when dealing with traditional employee thinking on the role of company in society and their own

responsibilities within and to an organization. Try to do this in a multinational that encompasses varying cultures, experiences, market dynamics and perspectives and the efforts required are exponentially compounded. As with other aspects of business such as brand portfolio strategy, finance or operations, sustainability-driven strategies need to be understood and accepted as relevant to all business functions across the organization. (In the international case, they must also be adapted to local environments and situations in order to work.)

We realized in our research that there is still much work to do in improving communications, particularly internally. You cannot depend alone on the SDGs and your corporate Vision for them to successfully build knowledge about topics within your organization. And, while the CEO’s voice is a critical in building alignment around transitioning the organization to sustainability, there must be even more communication tools in place besides just having the top executives express the importance of sustainability strategies. In fact, based on our understanding of how sustainability leaders have become trailblazers in their industries, they require a dedicated primary sustainability champion—typically the Chief Sustainability Officer or Vice President of Sustainability—plus an enlightened, engaged CEO, a forward-looking and compelling business case for the transformation, and a receptive work force in which more champions appear, all put together with a bit of good luck in timing of bringing all these elements together simultaneously.

Struggling to measure and assess performance

While we won’t explore takeaway number 6 in depth here—that companies are struggling to measure and assess performance on the SDGs—it is worth quickly highlighting the importance of this observation. Once organizations decide to make an organizational transformation toward a sustainability/SDG-based model, they need to determine the concepts, tools, and frameworks to enable them to make the important decisions and define the key actions they’ll need to take to adopt a sustainability/SDG-based business model.

The question around which methods to use can be a daunting one. A wide range of methods exist around the world, which makes the decision even more complex. All organizations will test various methods, and ultimately settle on the one or ones that best suits each organization’s unique culture, mission, capabilities, product portfolio and people.

We’ve identified what we refer to as a Sustainability Operationalization Process (Figure 2) that specifies the key stages that an organization generally proceeds through when transitioning to this transformative business model. This outline of the process helps to identify at which stage an organization actually is.



Figure 2 The Sustainability Operationalization Process

Looking at the various concepts, tools, and frameworks through this process helps to make it clear where they are most useful to organizations. The concepts, tools, and frameworks that we found to be the most widely used among the organizations we interviewed or studied over the course of our research, at different stages within the process flow were: SASB (in Stages 1 and 6), B Corp (Stage 3), Circular Economy (Stage 3 & 4) and Future-Fit (Stage 6). (We have discussed this subject at length in another paper, “Everything or Anything—How Businesses Can Start with the SDGs”¹.)

The Road to Understanding Sustainability

The journey to becoming a sustainability-centered organization was never be the same for any two organizations. While most drew on best practices from market leaders of various industries, they also were aware that their own journey was distinct, influenced heavily by its company culture, people, context, financial situation, geography, goals and history. One thing that all organizations needed do, though, is understand where they were along this path. We identified four principal phases that organizations tend to proceed through:

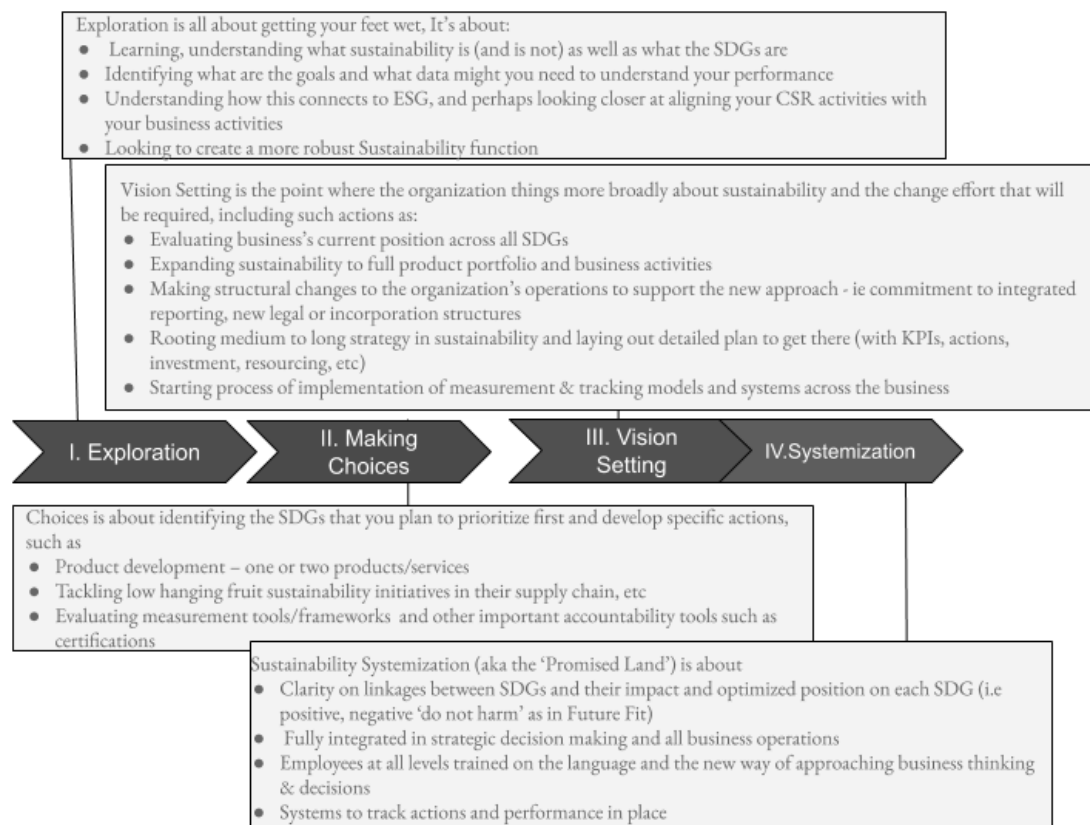


Figure 3 The Sustainability Operationalization Process

While Stages I and II, Exploration and Making Choices may seem like the ‘lightweight’ ones, each were critical and required a serious amount of dedication and work, as noted in Figure 3. Outside of “mission-driven organizations” that were built from the ground up around sustainable concepts, most of the companies we spoke

¹ Bridges, T. & Eubank, D. (2019). Everything or Anything—How Businesses Can Start with the SDGs. *Journal of Business Administration (JBA, ISSN:1025-9627) volume 4, issue 1, 75-103*

with in our research were in stage II as we define it here.

While many have aligned their current actions with the SDGs or other sustainability frameworks and have set substantive business priorities in regards to sustainability, they also worked hard to get meaningful buy-in from senior leadership and other key stakeholders around an even more sustainability-oriented business approach. Successfully getting to stage II required significant effort and dedication, particularly from those in sustainability roles. However, this effort typically pales in comparison versus that for the company-wide change effort that is required in Stages III and IV, i.e. Vision Setting and Systemization.

The first, most critical question they needed to address is, “How do we manage the gargantuan task of building an organization that is capable—at all levels—of building and successfully managing a fully sustainable business?”

The concept of sustainability itself is one that can be vague and is, perhaps, becoming even more so over time. Though the term “sustainability” might hardly have been used in the early days of modern corporations, the concept in general, which was rooted in the notion of “doing good” in some capacity, has evolved greatly overtime. What started out as corporate philanthropy evolved into CSR, then ESG, and now, arguably, the SDGs. So it’s somewhat of a moving target, always evolving and broadening in scope.

Those working day in and day out in roles that are directly connected to sustainability, often in departments and roles that are fairly separate and distinct from other functions within the organization, are on a continuous learning curve themselves. There may be many elements that they just “get” intrinsically, but there are many others that they’re learning regularly. Thus with the business discipline of sustainability ever-evolving, building out a breadth and depth of sustainability capability is a significant challenge within both large and small organizations.

Still, though difficult, it’s imperative for a company to figure this out if it wants to transform toward a sustainability-rooted business model. Before examining how to execute on the vision, they must understand what they need to do to build an organization that’s capable of doing so in the first place.

From Vision to Systemization

While many organizations have various CSR and sustainability activities which are often led by the best and brightest in the sustainability field, these activities have been sitting for of them in the “important but non-business-critical” category. This positioning is beginning to shift, largely due to a significant change in mindset of those at the senior most levels in organizations.

Champions of sustainable business models within the organization, such as CSR managers and Heads of Sustainability, have long been advocating for a fundamental transformation in how business operates. With the significant challenges and risks facing society and, hence, all businesses today, the C-suite’s mindset is now beginning to align with that of the sustainability champions.

Some CEOs have even taken bold moves to not only push for their organizations to align its business activities with the SDGs, but also view sustainability and the SDGs

as non-negotiable realities for businesses. A powerful example is Yoshinori Yamashita, CEO of the imaging and electronics company Ricoh, who has boldly and repeatedly declared to customers, investors and the company's own employees that:

It is in keeping with those tenets and our embrace of the United Nations' Sustainable Development Goals (SDGs) that we are accelerating our drive to help materialize sustainability for societies around the world. I believe that helping to resolve social issues through business is vital to corporate prosperity. Companies that fail to help bring SDGs to fruition can never survive. We will accordingly endeavor to enhance our businesses and management from financial and from environmental, social, and governance perspectives.

Isabelle Kocher, CEO of Engie, struck a similar tone when she made her case for moving the leading French energy business toward a renewable energy model and extending her company's CSR ambitions to its full supply chain. "Can a company ignore the overall impact of its activities and hide behind the pursuit of profit alone?" writes Kocher in a recent article. "I believe that the fortress company model, deaf to the expectations of its wider environment, is doomed to disappear under the pressure exerted by four figures: the consumer, the employee, the regulator and the investor."

Not only have C-level executives stepped up their commitment to sustainability within their own organizations, but many have increased their engagement with various advocacy groups in order to bring about broader change within their industries.

When it comes to what we call the Systemization stage, a leading flavoring company rolled out a new business strategy, developed in conjunction with the company's stakeholders, that is fully aligned with the SDGs and extends its sustainability vision beyond 2030. To execute against the strategy, the company took a very different path than many organizations and decided to integrate procurement and sustainability into one function.

With strong support for their efforts from their CEO, the newly integrated, multifunctional team saw strong stakeholder engagement as being a key enabler of the strategy and as a driver of change across their industry. To make it happen, they stepped up engagement with various core organizations, most notably the CEO-led World Business Council for Sustainable Development (WBCSD), which is galvanizing leaders across industries to take bold actions to transform their organizations. The flavoring company believes that organizations such as the WBCSD are critical due to the robust engagement and conversations being held there. Being CEO-led and high-level, new initiatives can move along quickly, such as accelerating transformational change in global food systems.

Having strong support and active engagement from the C-suite is imperative if you want to see real change in adopting a sustainable business model. The SDGs themselves prove to be a very useful tool for heightening senior executives' awareness of the positive potential of adopting sustainable business models and then getting them to commit to concrete actions.

Other high profile stakeholders and industry associations have also successfully

leveraged the SDGs to encourage better engagement from senior executives. Many of the sustainability executives we spoke with emphasized that a highly effective way to develop their CEO and other C-suite leaders' thinking is to have their executives attend and become involved with UN or industry-led events and initiatives. Direct contact with others that are pursuing these initiatives is the best way to create excitement around the concepts and opportunities and make obvious the risks of not responding to changes in the market and their own industry. If organizations are looking to get started in their transition or move to the next stage, these types of C-level engagement opportunities are an important place to start.

Helping employees to understand sustainability

Most of the companies we interviewed readily admitted that one of the biggest challenges in moving their businesses toward sustainability is in skilling up their workforces to take on this significant challenge. Most large organizations have highly skilled CSR or sustainability departments. Sustainability-focused team members are highly knowledgeable about the field and well connected into the expanding professional community. But we believe that those parts of the organization are generally too small and, often, detached from other functions within the business.

It was apparent in our survey of multinational, SMEs and start-ups that most sustainability departments are understaffed. The highest number of people we encountered in a single company's sustainability department was 25—and this was in an organization of nearly *100,000 employees*. Typical companies had one to five people staffing such departments. Organizations will therefore have to choose to either significantly scale up in size their dedicated sustainability teams, or to implement a broad and deep training effort to skill-up employees throughout the organization.

To do so and drive success, businesses need to figure out how to generalize knowledge about sustainability across their organizations. Having champions that can encourage—and even inspire others to wholeheartedly join the effort—is essential to driving any change management program. But how do organizations find and build talent that will be able to execute on the increasingly ambitious sustainable strategies championed by the C-suite?

When it comes to driving a sustainability program, a topic with which employees in businesses of all sizes are typically unfamiliar, companies are unlikely to experience success by appointing someone to be the champion just “because it's their time,” or for some other commonplace reason that companies give to assign roles. Because sustainability, as a relatively new field, still has many vague elements, the best way forward is to let potential employees come to you: Interest rather than extensive experience should be the priority for hiring these types of roles.

This is how a Vice President of Sustainability at a major chemicals company we spoke with, came to their role. Roughly 10 years ago, their CEO decided that the health, nutrition, and materials business had to expand its commitment to sustainability after a discussion with a major international humanitarian organization. Soon after senior leadership at the parent company communicated to each business that they were required to appoint a head of sustainability.

When the now-vice president heard the new directive, they were Head of Strategy for

one of the business units. They said that they immediately put their hand up as they felt their role already was to take care of the intangible value in the business. They saw sustainability as potentially part of this intangible value of the business, and that the company's contribution to society and the environment could have intangible value in terms of what the brand stands for and what the organization is capable of. Ten years on, with the help of such responsive and likeminded employees, the company is seen as one of the leading large businesses on the topic of sustainability.

A Wealth of Sustainability-focused Education

Many of the people who will ultimately be tasked with building and managing the sustainable businesses of the future have yet to join the companies that are looking to make such an effort. The good news is that many younger people, who desire to work for sustainable companies at much higher numbers than ever before, already have the mindset, motivation and passion for sustainability to drive real value once they join businesses.

More, too, are being exposed to the concepts behind sustainability than ever before. Various initiatives around the world are introducing sustainability as a fundamental value to youth around the world. For 15 years during the application of the Millennium Development Goals, UNESCO supported the Education for Sustainable Development program, which was implemented at all age levels in schools across the world.

UNESCO promoted ESD to empower "learners to take informed decisions and responsible actions for environmental integrity, economic viability and a just society, for present and future generations, while respecting cultural diversity." The goal was to raise a generation of citizens that would contribute to society from a position that fundamentally viewed all their actions from the perspective of sustainability.

Calliope Learning in the United States has launched TeachSDGs, an initiative designed to build awareness of the SDGs and sustainability via project-based learning that starts from an elementary-school level. The TeachSDGs team expressly encourages teachers to be active participants in the effort and empower their students to take action on the goals, in order to further expand knowledge of the SDGs. Technology is a powerful tool for TeachSDGs to achieve the organization's goals, and the group explores platforms that can be catalysts for teachers and students to accelerate and succeed in their efforts.

"We partner with a lot of educational technology companies, because they seem to be the groups that are highly motivated to find ways to bring the global goals to classrooms," says Jennifer Williams, co-founder of TeachSDGs. "At the elementary level, educators are seeking ways to use technology to support students to take action on the goals. So they'll have them create digital stories, or they'll use video conferencing."

One group that Williams is working with, for example, is called Empatico, a digital platform from the nonprofit arm of the Kind Snacks, who make healthy treats. The relationship is mutually beneficial, an exchange of technological know-how for insights on sustainability.

“Empatico have a goal of connecting one million elementary students by the year 2020 through video conferencing, all around the topic of empathy. They have eight lessons, and we're starting with 150 global educators, with a goal of getting 3,500 educators by 2020,” Williams explains. “They've now taken the lessons, through working with members of TeachSDGs, and they've aligned them to the goals.”

Lifelong learning will also be a strong element of practicing sustainability. Knowledge and best practices in the field are continuously evolving. Without many generally agreed standards and frameworks for success in the field, this is even more so the case. Companies will need to identify platforms that can offer their employees opportunities to regularly update their skills in this area and adapt their work as required.

Fortunately, there are a growing number of entities, including the UN Global Compact, the UN University, online learning platform edX, and many others who are offering a regular stream of content and, in some cases, online tools to help employees hone their skills. Companies will want to find ways to repackage this content and pull in other learnings they've gained along the way to identify knowledge and capability-building approaches that best suit their organization.

Conclusion

The SDGs are a rallying cry that is inspiring organizations, particularly large ones, to act. Businesses have taken many positive steps toward aligning their current activities with these 17 goals, including in both their operational activities and their CSR and philanthropic endeavors.

However, alignment isn't action, and there is still far to go before sustainability becomes core to business organizations. This is a journey that companies are on and no one has mastered it yet.

To move the needle on transforming a company to a sustainable business model, a vital area for companies to focus on is their internal talent and messaging around sustainability. Organizations that showed real progress in the sustainability journey have executives and sustainability officers that are aligned and able to convey meaningful and comprehensible messages across the organization. This in turn allows them to identify and empower staff who are best suited to train up on sustainability concepts and champion them on the ground level of the business.

And, by doing so, these companies make it possible to attract the kind of employees they need today, ones who not only are trained on sustainability as a fundamental part of their business education but have become much pickier about for whom they work.

Combined with a focus on measuring performance against the SDGs, an organization that thinks hard about its staff and its internal messaging has the possibility of staying competitive in a rapidly evolving market.

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