How to address the Sustainable Development Goals?

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Even though addressing the Sustainable Development Goals (SDGs) is considered vital to counter the adverse effects of societal challenges, corporate progress towards advancing them is slow. Several basic steps can help companies to rethink their business conduct.

What are the SDGs?

The Sustainable Development Goals (SDGs) are a collection of 17 distinct objectives set by the UN General Assembly in 2015. The SDGs represent a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity.* Surveys highlight that addressing the SDGs is a growing trend among businesses and communities and that civil society, institutional investors, and NGOs seek to know how firms contribute to the SDGs and what the impact of their contributions is.**

The SDGs and societal challenges?**(1)

The SDGs are specifically designed to engage companies to tackle the world’s most pressing challenges. These challenges include poverty and inequalities, climate change and environmental degradation, aging societies and population growth, economic volatility, political instability, and societal upheaval. Moreover, the SDGs entail profound implications for corporate strategic decision-making.

Key strategic challenges

Four strategic challenges are prominent:

- **Risk and insurance:** Societal challenges increase the risks that businesses are exposed to and ultimately result in higher insurance costs.
- **Short and long-term focus:** To effectively address societal challenges, firms have to develop goals with long-term time horizons that may conflict with profit-driven short-term thinking.
- **Resource allocation:** Due to the unsustainable consumption patterns and growing world population, the availability of natural resources is decreasing.
- **Competitive advantage:** The consequences of societal challenges are difficult to predict. Such ambiguities challenge the positioning of a company and threaten the creation of a competitive advantage.

The SDGs encapsulate these challenges and provide a roadmap for companies to achieve a more sustainable future.


Businesses and the SDGs

Several SDGs, including “Decent Work and Economic Growth” (SDG 8), “Industry, Innovation and Infrastructure” (SDG 9), and “Responsible Consumption and Production” (SDG 12), are directly relevant to companies. Thus, firms can play an active and leading role in achieving the SDGs, e.g., by creating appropriate workspaces, facilitating responsible innovation, and redesigning production processes. Yet, to do so, companies are required to adapt their day-to-day business conduct accordingly. This often entails a transition process that urges firms to redefine the purpose of their companies and implement business models that are driven by non-financial objectives.

Redefining the purpose

For the past decades, the only purpose of the businesses was to reach their financial objectives. Yet, to meet the SDGs, companies often need to reconsider their business conduct and reinvent the purpose of their organizations, set alternative non-financial goals, and adopt strategy approaches that allow the inclusion of various stakeholder sets.

Redesigning the business model

To advance the SDGs, business models are now required to integrate a broad range of stakeholder sets instead of merely focusing on catering to shareholders. In comparison with shareholder-centric business models focusing on profit maximization and locating the sources of competitive advantage within the boundaries of a firm’s value chain, new business models are required allowing managers to engage with non-market members, such as communities, activists, regulators, and non-governmental organizations. Such stakeholder-centric business models are more complex but they also offer new sources of competitive advantage with the engagement of different stakeholder groups. While financial objectives are still a central part, stakeholder-centric business models do not view profits as an end but rather as a means to achieve a higher purpose, e.g., contributing to the SDGs.

Business as usual?**(2)

Studies indicate that firms’ progress to meet the SDGs is slow and that few companies are implementing novel ways to advance them. Several measures could facilitate this process:

- **Choose fewer and more specific goals,** i.e., concentrate on the SDGs or sub-goals that are the most relevant to your business scope.
- **Focus on the most promising business opportunities** and ensure that the SDGs are taken into account within corporate strategy and operations.
- **Adopt meaningful near-term targets** that can be achieved within a three- to five-year timeframe and report publicly on annual progress.
- **Reallocate resources,** i.e., dedicate substantial investments to meet the chosen goals.
- **Be honest about the achievements and address inconsistencies,** i.e., also take into account the conflicts and negative impacts.
- **Require that the UN holds the company accountable for their promises and verifies all corporate claims** since corporate commitment to the SDGs is voluntary.
- **Add up to commitments** and support the UN to create combined efforts.
- **Facilitate partnerships** and engage in multi-sectoral coalitions.

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*(1) Businesses and the SDGs: a five-year review of corporate engagement (2015-2020). KPMG.