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MNEs and the Sustainable Development Goals: what do first steps reveal?[*]

by
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Lisa Sachs, Jeffrey Sachs and Nathan Lobel argued that companies "need to look beyond profits" because they are increasingly evaluated on their contributions to society.[1] This argument primarily emphasizes ethical and reputational considerations for multinational enterprises' (MNEs) involvement in sustainable development. In this view, MNEs should mitigate risks by minimizing "doing harm."[2] This argument can be complemented by looking at sustainability challenges as an opportunity for companies to "do good" and create positive change.

In other words, companies need to look beyond *short-term* profits. Identifying *longer-term* opportunities that can reap a sustainable profit is intimately related to diverse areas of sustainable development. Such development is defined as serving the present and future needs of the (growing) world population, rather than only serving the demands of existing (effective) markets. The challenge then becomes to redirect business models in a sustainable direction: from a basis of present profits to a source for future profits; from a narrow view of short-term shareholder value to a broader view of business serving the needs of people and the planet. The 2015 Sustainable Development Goals (SDGs) provide an excellent framework for developing business models founded on positive societal contributions.

The SDGs also provide the most coherent sustainable development framework to date. They break with the prior sustainable development discourse that particularly stressed the role of governments as donors. The UN agreed that companies' efforts are critical in reaching the SDGs. The business logic is clear: achieving the SDGs can unlock US$12 trillion in business opportunities annually.[3] Can a joint global agenda trigger the focused attention of MNEs, and are their initial responses aimed at risk mitigation or opportunity identification?

MNEs' first steps are supportive. Many were actively involved in the design of the SDGs. In 2016, 87% of CEOs believed that the SDGs provide an opportunity to rethink approaches to sustainable value creation.[4] International organizations like the Global Reporting Initiative and the Global Compact are developing tools to support companies to "materialize" this ambition, i.e., integrate it in their strategies.[5]

In the authors' study of the nature of frontrunner MNEs' initial engagement with the SDGs, the targets supporting SDG 16 (peace, justice and institutions) received the highest scores, showing that companies acknowledge that they cannot do business in a failing society. But they mainly envisaged their contribution to this SDG through internal, governance-oriented policies. Indeed, most of the targets that MNEs actively engage with can be implemented throughout their (value-chain) operations, such as reducing pollution. More importantly, companies currently focus primarily on SDG sub-targets that "avoid harm." For "doing good" targets, such as providing public goods like infrastructure, multi-stakeholder partnerships are critical, yet MNEs' engagement is low. Amongst the MNEs studied, European MNEs engage with substantially more SDG targets, making them more supportive for the SDGs' integrative ambitions. MNEs in industries with greater negative social and environmental externalities are more involved with SDG targets that help them avoid doing harm.

These patterns point to a relatively conservative use of the SDGs as a future-oriented agenda. The potential of the SDGs to move away from "avoiding harm" and use the SDGs to "do good" (and reap longer-term benefits) is not yet achieved. This does not imply that companies do not want to use the SDGs to align their business models with societal needs. It shows how difficult it is to unlock the transformational potential of the SDGs.

Three lessons can be drawn for policy makers:

- The SDGs that companies engage least with have high degrees of "public good" and "doing good" characteristics; the success of these SDGs thus depends on a more active stance of governments and requires additional (smarter) financial arrangements. The Addis Ababa Action Agenda is an example of shaping innovative development-financing solutions.
- SDGs that require cross-sector partnerships tend to receive less attention, which jeopardizes the SDGs' ultimate achievement; governments and civil-society organizations should enhance corporate involvement in the SDGs, for example, by inviting companies to partner for SDGs.
- The relevance of the SDGs for future-oriented corporate strategies remains fragile though. It has to be considered whether MNEs' relatively defensive use of the SDG agenda will hamper their effectiveness in achieving the SDGs' transformational ambition. Devising policies for unlocking future business opportunities seems imperative.

The SDGs intend to "transform our world." Selecting and partnering with companies that are most interested in "doing good" is most likely to achieve this.

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[1] "Corporations need to look beyond profits," *Columbia FDI Perspectives*, no. 208, September 11, 2017.

[2] For an elaboration, see R. van Tulder with A. van der Zwart, *International Business-Society Management: Linking Corporate Globalization and Responsibilities* (London: Routledge, 2006).

[3] AlphaBeta, "Valuing the SDG prize," January 2017.

[4] Accenture and UN Global Compact, "Agenda 2030: a window of opportunity," *The UN Global Compact-Accenture Strategy CEO Survey 2016*.

[5] GRI, UN Global Compact and WBCSD, "The guide for business action on the SDGs."

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