The Business Case for the Sustainable Development Goals
An Empirical Analysis of 21 Danish Companies' Engagement with the SDGs

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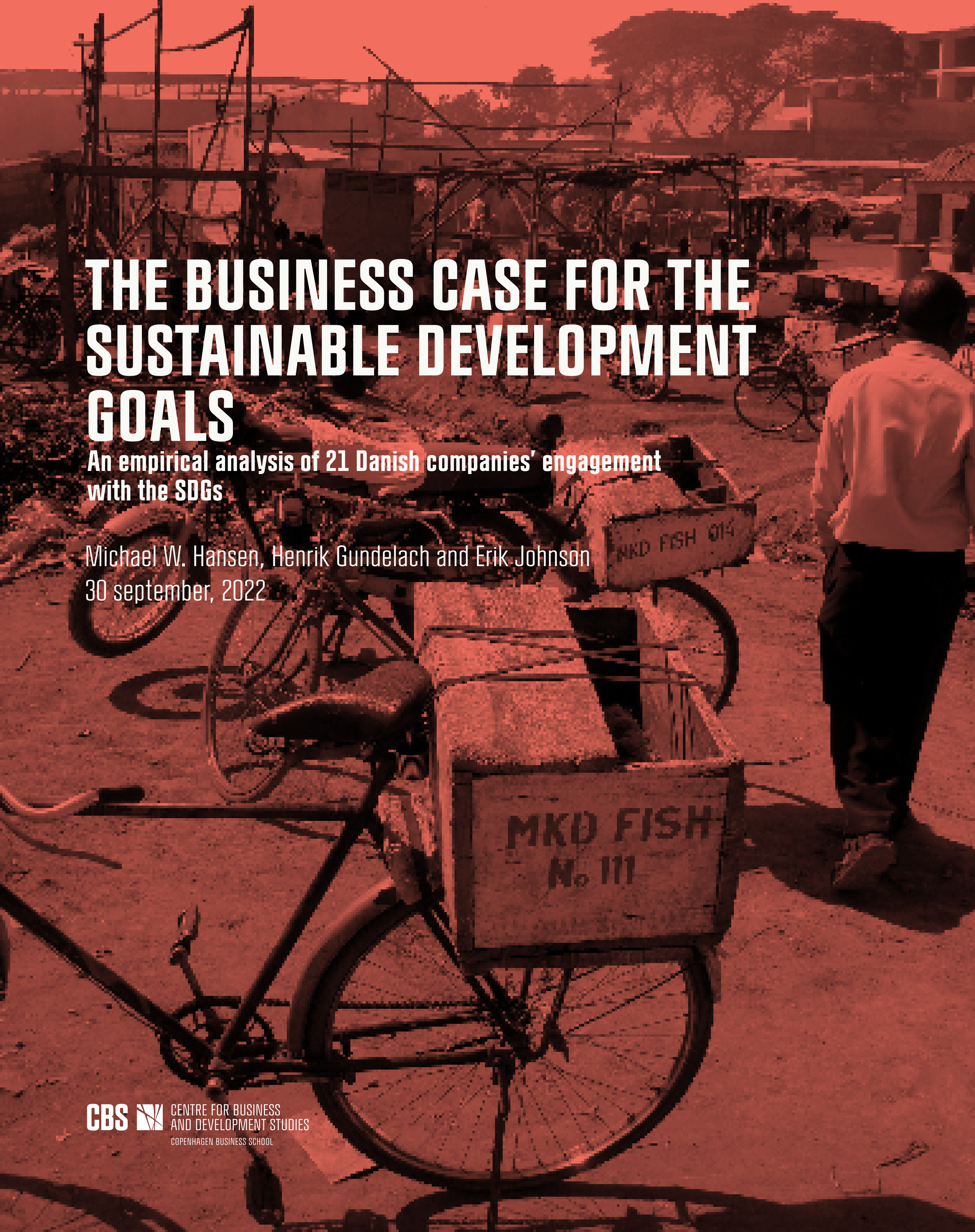
CBDS Working Paper Series
Working Paper 2022/2



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30 september, 2022

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CBDS WORKING PAPER 2022/2
CBDS: Centre for Business and Development Studies
Dalgas Have 15, 2200 Frederiksberg, Denmark
E-mail: cbds@cbs.dk
www.cbds.center
ISBN 978-87-973170-4-4
CBDS publications can be downloaded free of charge from www.cbds.center

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Abstract

This paper explores why business engage with the SDG agenda, with a view to understanding the business case for the SDGs. Building on and extending the responsibility literature's discussion of the business case for responsibility, the paper develops a conceptual framework for analyzing why business engage with the SDGs. This framework is employed to analyze why a sample of 21 Danish companies decided to engage with the SDG agenda. The analysis finds that most companies view the SDGs as a platform for achieving rather conventional business goals such as mitigating risk, saving costs, and differentiating products and services. However, in a few cases, companies use the SDGs as a lever for carving out uncontested positions in future markets. The paper concludes that companies overwhelmingly view the SDGs as a business opportunity rather than as a business responsibility, something that fundamentally may distinguish the SDG agenda from previous responsibility agendas. The paper fills a gap in the extant literature on business responsibility by developing and validating a classification of the business case for the SDGs based on economic value drivers, and by deepening the empirical understanding of, what precisely this business case may be.

Key words: The Sustainable Development Goals (SDGs), The business case for responsibility, Multiple case studies

I. Introduction

There is a new fashion in town: the UN Sustainable Development Goals (SDGs). Business leaders and corporations around the world are pledging allegiance to the SDGs, integrating the SDGs in their business strategies; including SDG achievements in annual reports and communications; and engaging in SDG-focused projects and networks with like-minded companies. Politicians and regulators are seeking to mobilize these companies for their sustainability ambitions, while non-governmental organizations are engaging SDG-oriented companies with an aim to build partnerships and alliances. However, beyond the fuzz surrounding businesses' engagement with the SDGs, it remains unclear what the SDGs really mean for businesses. Is it simply a rephrasing and repackaging of already well-established business agendas related to sustainability and responsibility? Or is it a genuinely new agenda that has the potential of steering companies in new directions and of mobilizing them for sustainability? This paper aims to examine why business engage with the SDGs.

The SDGs are a United Nations initiative outlining a comprehensive agenda for sustainable development until 2030. The SDGs are intended to be more comprehensive and participatory than the Millennium Development Goals (MDGs) that preceded them, and to involve more stakeholders directly in the implementation of the agenda (Vandemoortele, 2018). In contrast to the MDGs, which focused on governments and development agencies, business was from the very beginning envisioned to play a key role in the SDG agenda (UN Compact, 2014). This by providing solutions, expertise and technologies to solve sustainability challenges, as well as by channeling investments into the various SDG subsectors, thereby helping to close the gigantic $2.4 trillion SDG finance gap (UNCTAD, 2014). The business potential of the SDGs was predicted to be vast; by 2030, at least US$12 trillion in new business opportunities from savings and new business areas related to the SDGs would potentially materialize, creating 380 million jobs (BSDC, 2017).

Much evidence suggests that the SDGs have indeed captured the imagination and attention of the business community. Surveys show that - at least parts of - the business community have embraced the SDGs and is actively engaged in shaping and implementing the agenda. In a survey of global companies by PWC from 2015, 71% reported that they had started planning how they would work with the SDGs. A 2020 survey of CEOs of Fortune 500 companies by Accenture/ Global Compact found that 90% viewed the SDGs as an opportunity to rethink their approaches to sustainability and that 70% found that the SDGs could help them structure their sustainability work. And a 2019 survey of Danish companies found that 63% knew about the SDGs, a doubling from the previous year, and that 22% were integrating the SDGs into their strategy, almost double that of 2017 (DI,2019).

However, it is also clear that the business community is struggling to find its feet about the SDGs. One problem is to understand how this intergovernmental framework creates rights and responsibilities for non-state actors such as businesses. Another problem is related to the complexity of the SDG agenda: The SDGs consist of 17 sometimes contradictory and often overlapping goals, supported by 169 more or less specific targets, and 230 indicators divided into three tiers. This intricate framework complicates companies' efforts to establish the relevance of the SDGs and determine where to focus their efforts. Consequently, the business perspective on the SDGs remains ambiguous and fluent, and business associations and individual companies are searching for ways to approach the SDG agenda. They seek to clarify if there is anything new in the SDG agenda compared to already existing business responsibility agendas and they assess how the SDG agenda may impact on their business models. In short, they seek to understand whether there is a business case for engagement with the SDGs, and if, what that business case may be.

This paper will examine if there is a business case for the SDGs, and if, what that case may be. Over a period of two years, a research team followed and engaged 21 companies that were in the process of starting up SDG work, to understand how top and line managers perceive the SDGs and what they view as the main drivers of their companies' SDG work.

The paper contributes to the emerging literature on business and the SDGs by developing and empirically validating a conceptual framework for business engagement with the SDGs that draws on the business literature's notion of economic value drivers. Moreover, the paper contributes to the literature by providing empirical insights into, how managers construct meaning from the SDGs. This type of insight is pivotal not only for analytical purposes but also because deep and durable transformation toward sustainability in companies is unlikely to happen without the engagement and commitment of managers (Pedersen, 2010). The paper is structured as follows: First, the extant literature on business and the SDGs is reviewed with a view to identifying gaps concerning the business case for SDGs. Second, an analytical framework for analyzing the SDG business case is developed based on the extant literature.

Third, the framework is employed to analyze the 21 companies' engagement with the SDGs. Fourth, the implications of the analysis for research and practice are discussed.

II. The literature on business and the SDGs

Since 2015, substantial literature on the SDGs has evolved. Most of this literature deals with the societal level and examines the role of governments (see, e.g. Allen et al., 2018) or NGOs (see, e.g. Hege and Demailly, 2018) in the SDGs agenda. An emerging literature, however, focuses specifically on the SDGs from a business perspective (for reviews, see, e.g. Vildåsen, 2020; Van Zanten and Tulder, 2018; Sullivan et al. 2018; Mio et al., 2020; Pizzi et al., 2020; Adams, 2017; Scheyvens et al., 2016; Muff et al., 2017; Spangenberg, 2017). This emerging literature is closely related to and draws heavily on already well-established literatures on business' societal responsibilities (e.g. the CSR, sustainability, environmental management, shared value, environmental stewardship, or responsible management literatures). In many respects, the SDG literature imports from, and draws on, these literatures: In the SDG literature, business responsibility is seen as a key aspect of the business contribution to the SDGs and sustainability (Scheyvens et al., 2016) and many of the concepts, constructs, tools and dimensions being discussed in the SDG literature are imported directly from the extant responsibility literatures (Eialfy et al., 2020). In addition, as is the case with the broader responsibility literatures, the emerging SDG literature spans from accounts focusing on the SDGs as social responsibility to accounts emphasizing the business benefits from SDG activities.

a. The SDGs as responsibility

Carroll defines corporate social responsibility as "*the economic, legal, ethical, and discretionary [later referred to as philanthropic] expectations that society has of organizations at a given point in time*" (Carroll, 1991; 283). In accordance with this definition, the SDGs can simply be seen as a catalogue of societal expectations to business (Eialfy et al., 2020), possibly with a more systemic and developmental focus than most preceding business responsibility agendas (Schönherr et al., 2017). Ethically driven responsibility focuses on fulfilling moral obligations toward society, regardless of implications for the bottom line of the company (Lantos, 2001). For some authors, such ethical obligations are the very essence of business responsibility (see e.g. Kotler and Lee, 2005). Typically, ethical responsibility activities will be related to companies' distinct production, products, and stakeholders, however, in the case of philanthropy, responsibility activities may be completely detached from companies' core activities (Carroll, 1991). The SDGs are, like is the case with some notions of CSR and sustainability, about business activities that goes beyond compliance with legal requirements (McWilliams et al., 2006), are voluntary (Van Marrewijk, 2003), maximize companies' contribution to society and minimize harmful impacts (Lantos, 2002; Martinuzzi and Krumay, 2013), and/or are correctives to companies commercial activities (Van Marrewijk, 2003). Inspired by the responsibility literatures' focus on corporate social responsiveness (Frederick, 1978) and stakeholder engagement (Freeman, 1999) as ways to adapt to societal expectations and gain legitimacy (Escobar et al., 2011), part of the SDG business literature focuses on stakeholders and partnerships and views (multi-) stakeholder involvement and networking as key components of SDG activities (Kolk et al., 2017; Zanten and Thulder, 2018). This, for instance, through partnerships with local companies in developing countries (Prashantham and Birkinshaw 2020), with governments (Lundan and Cantwell, 2020), with local communities (Ramirez, 2020), or with NGOs (Eden and Wagstaff, 2020).

b. The SDGs as business

While parts of the SDG business literature view SDGs as mainly about business responsibility toward society and stakeholders, it is also clear that other parts of this literature understand the SDGs mainly as an opportunity for business to obtain financial, commercial, and competitive benefits. These accounts zoom in on the strategic, managerial, human resource, and competitive implications of SDG activities (see for reviews, see, e.g. Vildåsen, 2020; Tulder, 2018; Mio et al., 2020; Pizzi et al., 2020; Sullivan et al. 2018).

The early SDG literature emphasized business benefits from the SDGs (GRI/UNGC/WBSD, 2015) and the Business and Sustainable Development Commission report (BSDC, 2017) argued for a simultaneously inclusive, sustainable, and economically viable path toward the SDGs. In a subsequent report, the organization outlined the business case for the SDGs (BSDC, 2017b), contending that the SDGs have the potential of revolutionizing business value creation, delivery, and capture. The SDGs will, the report argues, open up for vast new markets and position companies in relation to the markets of the future; indeed, the SDGs can be seen as a catalogue of business opportunities and a compass for future markets.

The SDG business literature's focus on potential business opportunities draws on and extends a long-standing tradition within the responsibility literature that examines business opportunity from responsibility activities under headings such as 'the business case for CSR', 'Strategic CSR', 'shared value' or 'Inclusive business'. This tradition argues that if societal pressures and expectations drive responsibility activities alone, they risk becoming peripheral to the company's core strategy and organization (Mansell et al., 2019). Hence, 'the business case for CSR' (sometimes labelled 'Strategic CSR' (Lantos, 2001)) identifies situations where companies' pursuit of profit and responsibility coincides (Carroll and Shabana, 2010; Dyllick and Hockerts, 2002), and where companies' bottom-line improve from engagement with societal responsibility (Lantos, 2001; Rheinhart, 1999). Similarly, the 'shared value' concept (Porter and Kramer, 2006; Kramer and Porter, 2011) holds that companies should concentrate their responsibility activities in areas where value creation for society and companies coincides. And the 'Inclusive Business' concept focuses on commercially viable business models that also contribute to poorer communities by including them in the business model as consumers, producers or employees (Prahalad and Hart, 2002; Simanis and Hart, 2006). It is evident that concepts like 'Shared value', 'Business case for CSR' and 'Inclusive Business' have played key roles in informing and inspiring the emerging SDG business literature (Tulder, 2018).

To the extent that the SDGs are viewed mainly in terms of new business opportunities, it is not surprising that business model change and innovation are of key interest to the SDG business literature (for reviews, see Morioka et al., 2017; Madsen, 2020; Raith and Seabold, 2018). Hence, it is examined how business model change processes and transformations may ensue from SDG work and how the SDGs may prompt fundamental business model changes in companies. Eventually, such business models may disrupt existing business models and, potentially, transform industries (Hart et al., 2016). The SDG literature's focus on business model change and innovation echoes a broader discussion of responsibility driven strategy change (Kramer and Porter, 2011; Martinuzzi and Krumay, 2013) and business model innovation (Belz and Binder, 2017) in the responsibility literature.

III. A framework for analyzing business engagement with the SDGs

While parts of the responsibility literature have been immersed in the, often unproductive, debate between ethical and economic rationales of responsibility (Knight and Ellson, 2017), other parts of the literature have sought to elucidate the specific nature of the business case for responsibility. This typically by offering various classifications (see e.g. Carroll and Shabana, 2010; Zadek, 2000; Kurucz et al. 2008; Lantos, 2001; Escobar et al, 2011; Vishwanathan et al., 2020). These classifications are based on dimensions such as pain alleviation versus gain (Zadek, 2000); direct versus indirect economic benefit (Knight and Ellson, 2017); short term versus long term benefits (Dyllick and Hockerts, 2002), or degree of change to business model (Bocken et al., 2014). Typically, the classifications of business cases suffer from lack of clarity as to their theoretical underpinnings in business theory (Knight and Ellson, 2017).

We will in the following present a framework for analyzing the business case for the SDGs that deepens and extends the responsibility literature's classifications. Contrary to most existing classifications, this classification is explicitly grounding it in economic value drivers, i.e. underlying assumptions about the sources of value creation (Knight and Ellson, 2017). The value drivers are 1. Whether value is created in existing or new markets, 2. Whether value is created in the short term or long term:

1. Competition in or for markets: According to classical competition theory, there are basically two types of competition; competition in markets and competition for markets (Geroski, 2003). The former is usually associated with competitive strategies such as 'cost focus' or 'differentiation' (Porter 1980, 1985), i.e. strategies that aim to preserve, deepen or expand positions in existing markets. The latter is typically associated with first mover and innovation strategies (Kerin et al, 1992; Kim, 2005), i.e. strategies that seek to anticipate, capture or create new markets. In line with this we will argued that some SDG business activities create economic value by positioning in existing markets, while other SDG activities create value by moving into new markets.

2. Time horizon for return on investment: Potential investments will typically have different time horizons for return on investments (ROI), spanning from short term to long term. The present value of future investments is determined by the discounted value of future income streams. The longer the time horizon, the more susceptible the net present value will be to risks and uncertainty and the higher the required internal discount rate. The upshot is that SDG business models can be distinguished based on the time horizon for value appropriation.

Based on these two dimensions of value drivers, we will propose five distinct SDG business models: 'Risk mitigation', 'Cost savings', 'Differentiation', 'Market development'; and 'Market creation' (see Fig 1).

a. Risk mitigation

Responsibility activities can generate economic value for companies by mitigating risk (Husted, 2005). Risk mitigation ensures that the company can continue operating and avoid disruptions to its operations (Caroll and Shabana, 2010). Risks are directly affecting the profitability of the company, showing up in the company's financial appraisal of investments as a higher discount rate. The longer the time horizon, the greater the uncertainty and risks and the higher the discount rate. The ultimate risk mitigation case for responsibility is 'the social license to operate' (Cooney, 2017): If companies do not succeed in building legitimacy among communities, regulators and customers, they may be out of business or incur large losses due to NGO campaigns, regulatory intervention, or consumer backlash (Escobar et al., 2008). Hence, certain types of companies, especially those with very large environmental impacts, may have to engage with societal responsibility in order to mitigate risks to their existing business model (Tulder and Van der Zwart, 2005; Wilburn et al., 2011). Engaging with the SDGs may help companies to detect risks to their business model and subsequently mitigate these risks.

b. Cost reduction

Contrast this risk mitigation case for responsibility with the view that responsibility is about getting higher profits by reducing costs through more efficient use of resources. Hence, the engagement with responsibility essentially focuses on improving the bottom line. Responsibility saves resources and reduces waste, thus immediately improving the financial performance of the company vis-a vis competitors (Guenster et al., 2011). As resource consumption and waste deposits are costly, the bottom-line will be improved if companies succeed in reducing energy, water or materials consumption and emissions. By investing in environmental management systems, lifecycle analysis, and circular economy business models, companies will increase efficiency and reduce waste, so-called 'eco efficiency' (Seiler-

Hausmann et al., 2004). Engaging with the SDGs may help companies save costs through more efficient use of resources.

c. Differentiation

Instead of focusing on the bottom line, responsibility activities may focus on the top-line, e.g. by assisting companies increasing sales through differentiation against competitors (McWilliams et al., 2011; Porter and Kramer, 2006; Willard, 2012). In this case, responsibility is seen as a downstream, marketing and branding related activity aimed at expanding sales, rather than an upstream and production-related activity aimed at reducing costs/increase efficiency (Maignan and Ferrell; 2004). Responsibility activities may be an important differentiator in markets and industries that increasingly scrutinize and reward companies for responsibility (Baumgartner and Ebner, 2010). Investment in differentiation may take longer to convert into profit compared to investment in cost reduction as they require market development. Engaging with the SDGs may be a way of differentiating products and obtain a competitive advantage.

d. Market forecasting

Engaging with responsibility activities may position companies in future markets (Ghosh and Rajan, 2019). These new markets emerge as consumer preferences change, as industrial customers demand new products and services, and as governments introduce new regulation. Hence, companies may engage with responsibility to ‘sense’ and ‘seize’ future sustainability driven markets, and to ‘transform’ their business models to capture those markets (Teece, 2007; Wu et al., 2014). By forecasting and positioning in relation to future markets, companies can potentially reap large first mover advantages. Engaging with the SDGs may be a way for companies to forecast future markets and position themselves in relation to those markets.

e. Market creation

According to conventional microeconomics, market conditions are ‘exogenous’ to business strategy. Consequently, business opportunities from responsibility work would arise as companies anticipate and adapt to market developments created by changing consumer preferences and evolving regulations. However, an alternative view holds that market demand can be shaped by companies through communication, persuasion, marketing, lobbying, or even collusion (Hockerts, 2015; Utting, 2005). Hence, market demand is ‘endogenous’ to business strategy. From this perspective, business opportunities from responsibility work are partly created by the companies themselves. Engagement with responsibility will allow companies to shape their competitive environment, for instance by developing private standards or public standards (Rheinhart, 1999); responsibility work is essentially about rewriting the competitive rules of industries (Kramer and Porter, 2011). Engaging with the SDGs may be a way to build competitive advantage by shaping future markets.

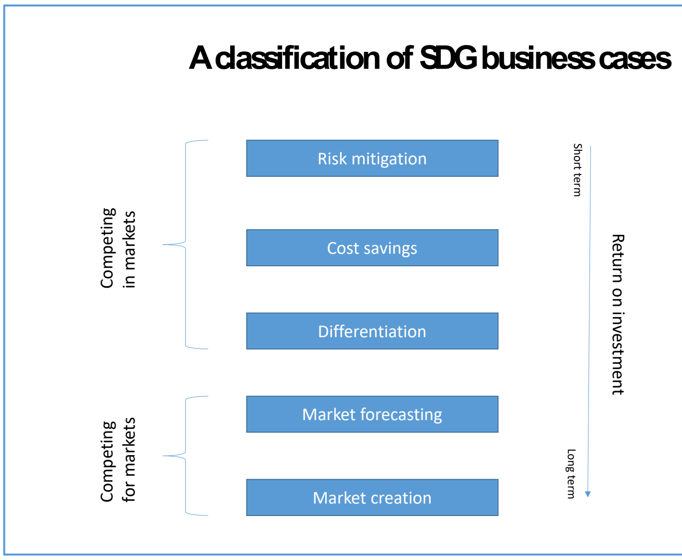


Figure 1

IV. Methodology

Over a 30-month period, 21 companies (see Table 1), representing a diverse range of industries and company sizes, agreed to participate in a project on strategic engagement with the SDGs, organized by the Danish Confederation of Industries (DI). Senior and middle managers from the 21 companies participated in intensive joint sessions, networking activities, social media activities, interaction with consultants, and financial support for specific SDG initiatives. The research team followed the project in order to determine motivations and perceptions for engaging with the SDGs. The research was participatory in the sense that the researchers made presentations to companies on, how they progressed in their SDG work, and they participated in project network meetings with the participant companies. The research team had access to all project material, including completed SDG tools and worksheets such as vision statements, SDG focus statements, business and project plans, etc. Questionnaires were sent to the two managers in each company involved in the project: one to a member of senior management and one to a member of CSR/sustainability functions. In the first survey round (2018), 25 responses were obtained, and in the second round (2020), 23 responses were obtained. Semi-structured interviews with participants in the project were conducted twice during the 30-month project. The empirical findings from the engagement with companies was presented in a project report (Hansen and Gundelach, 2020), an extract of which in provided in the findings section of this article.

The case companies		
Industry	Employees	Code
Children's toys and furniture	14	Furniture
Food and Nutrition	10000	Food1
Chemicals	2200	Engineering1
Paint and Coatings	6300	Chemical
Water and Wastewater treatment	50	Water1
Master Planning Architects	70	Planning1
Water measurement technology	1500	Electrical1
Environment	400	Water2
FMCG	70	Food2
Electrical Lighting	11	Electrical2
Apparel	400	Clothing
Cement and Mining	900	Engineering2
Food Packaging	230	Packaging
Entertainment	85	Event
Fishing	2200	Food3
Wastewater Treatment	17	Water3
Metals processing	57	Metals
Publishing	4300	Publishing
Fruit juice concentrate	400	Food4
Land surveying	400	Planning2
Recycling	350	Recycling

Table 1

The research is an example of 'engaged scholarship' (Van de Ven, 2007), meaning that the engagement with business and policy practitioners is seen as essential to gather deep and contextualized knowledge about SDG motivations and that the project explicitly is aimed at drawing practical policy and managerial implications from the research. The study is explorative in the sense that it seeks to characterize and understand companies' motivations behind SDG work and to develop and deepen the theoretical understanding of the business case for the SDGs (Flyvbjerg, 2006). In accordance with the 'pragmatist research philosophy', the project adopts a mixed-method approach (Creswell and Plano, 2007), where surveys, interviews and analysis of archival data are combined with a view of data triangulation (Yin, 2009). Survey data based on fixed categories of answers were combined with interview data that were semi-structured and aimed at complementing and deepening the survey responses. The research is qualitative as it is based on what essentially is 21 case studies. Multiple case studies are suitable to understand complex social phenomena in their context while achieving some level of generalizability (Yin, 2009). Hence, multiple case studies are suitable when the purpose of the research is to build theories through empirical validation and to identify patterns and tendencies that are not idiosyncratic to the case (Siggelkow, 2007).

Generalizations are related to understanding and deepening analytical dimensions in light of the empirical data and can thus be seen as 'analytical' (Curtis et al., 2000) and clearly, the study does not allow for statistical generalizations: First, only 21 companies participated and although they represented a broad variety of industries and company sizes, the number is too small for statistical generalizations. Second, all 21 companies had stated an interest in engaging in SDG work prior to the project and all had a track record on related responsibility agendas. Hence, the sample is likely at the vanguard of SDG work. Third, all 21 companies were Danish or at least located in Denmark. It is likely that companies in different countries will construct, report on, and implement their responsibility activities (and thus also SDG activities) in different ways (Matten and Moon, 2008); in the case of Denmark, it can be expected that companies are relatively advanced in terms of their SDG work due to the fact that Denmark is among the three countries scoring highest on the SDG Index (Sachs et al., 2021). Hence, the study will provide insights into what is most likely the vanguard in terms of SDG and sustainability.

V. Findings from the 21 case studies

a. How do SDGs work compare to other responsibility agendas?

Respondents were asked what the SDGs are about from the perspective of their company. Generally, they view the SDG agenda as a new framing of the pre-existing CSR and sustainability agendas (see Figure 2). The 21 companies were all already actively involved in CSR and sustainability work prior to the engagement with the SDGs, and it seems that they have moved into the SDG agenda as a natural extension and continuation of that work. Equally important, the respondents view the SDGs as a set of sustainability indicators, as a form of operationalization and concretization of otherwise inchoate sustainability visions. Therefore, it is evident from the survey that the SDGs are seen as an agenda continuing, extending, and deepening the sustainability and CSR agendas. However, some of the companies emphasized change rather than continuity: "Forget CSR—it means nothing—it is the circular economy, green transformation and SDG communication that will make a difference. CSR is on its way out. There will be a much greater focus on competitiveness … than old fashioned CSR".

Interestingly, a large proportion views the SDGs as a platform for developing new types of partnerships. As stated by one respondent, "there is so much to do out there that you don't need to be protectionist. You need to think in partnerships instead of competition. By doing that, we can do some real disruption". The kinds of partnerships sought by companies were not only with other businesses, but also with un-conventional partners such as governments, NGOs, or aid agencies.

The importance of partnerships

"The strength of the SDGs is that there is a quite defined agenda and goals that allow you to discuss concrete things with your customers and colleagues. Not least the clear focus on partnerships. We have learned now that these issues and questions are so connected and complex, which is well illustrated by the SDGs, and at a level that you cannot solve yourself. So you need to work together through partnerships".

Executive Director in large recycling firm

More lofty visions about the SDGs, for example, that they can help companies predict future risks, regulations and market developments, seemed of less importance to the participating companies. Nevertheless, one respondent stated that the SDGs are becoming "a license to play, especially as EU legislation will follow suit". Notably, only three respondents view the SDGs as a development agenda, indicating that the respondents are likely more aligned with those arguing that the SDG agenda mainly is a sustainability agenda rather than a classical development agenda.

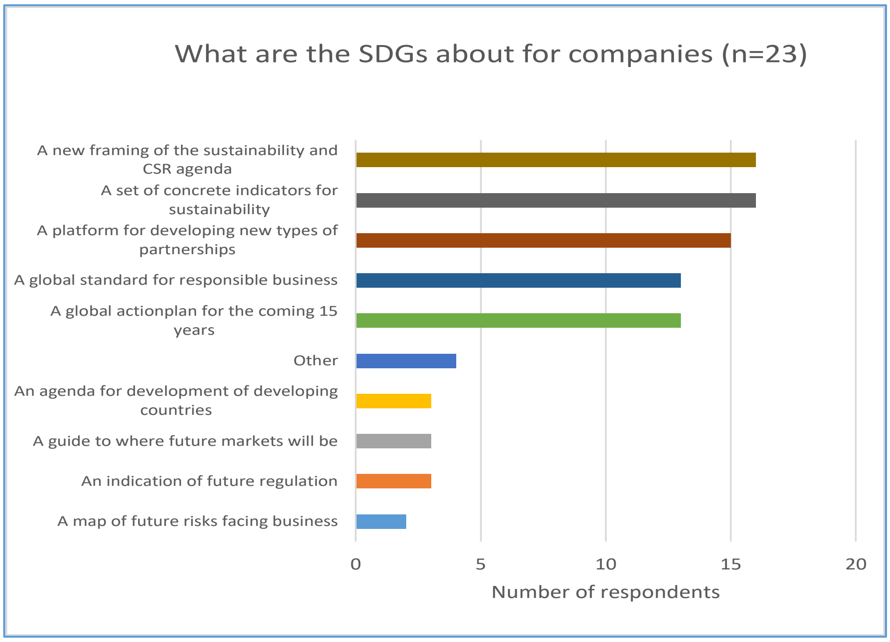


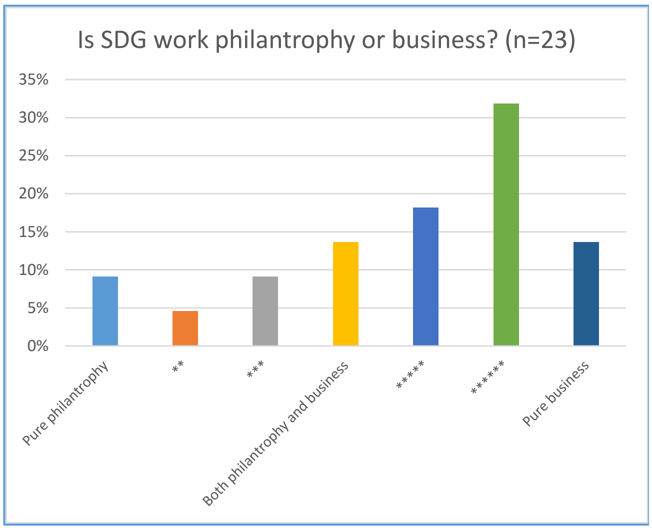
Figure 2

b. Why engaging with the SDGs?

The respondents were asked to place their SDG work on a continuum between philanthropy and business (Figure 3). Clearly, the respondents lean towards business motives behind SDG work: where 20% report that SDG involvement is more motivated with philanthropic motives, more than 60% lean toward business objectives. Indeed, 14 per cent view engagement with SDGs as 'pure business'. This focus on commercial outcomes is probably different from traditional CSR and sustainable work, where the commercial value driver typically has played a less prominent role.

Therefore, companies view SDGs as a business agenda. Indeed, when asked about why they engage with the SDGs, most report that they see the SDGs as an opportunity to get a competitive advantage in the market (Fig. 4).

Figure 3



Among the market opportunities related to the SDGs were exports and several viewed SDGs as an integral part of their internationalization strategy: "We engaged in the SDGs because we want to work internationally; it fits our internationalization strategy to take responsibility through the SDGs, not through CSR." In addition, industrial customers have started to include SDG performance in their assessment of suppliers: "Customers are screening for all these goals, this is why it did not take much convincing for the board to engage with the SDG project".

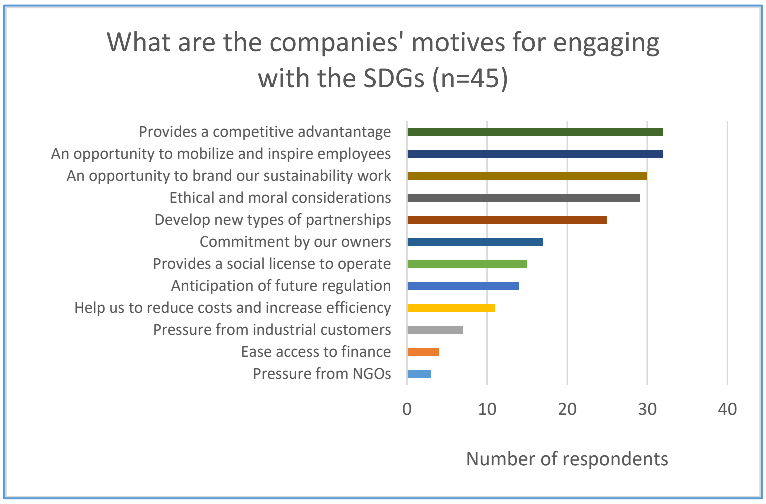


Figure 4

The second most prioritized motivation behind engagement with the SDGs was mobilization and inspiration of employees. SDG work is a way of motivating employees at different levels of the company for sustainability work but also is a way of making the company more attractive for future employees. One company mentioned, "We are a knowledge company and need to attract the best brains. Young people are not attracted by wages; they ask about values and what our social footprint is".

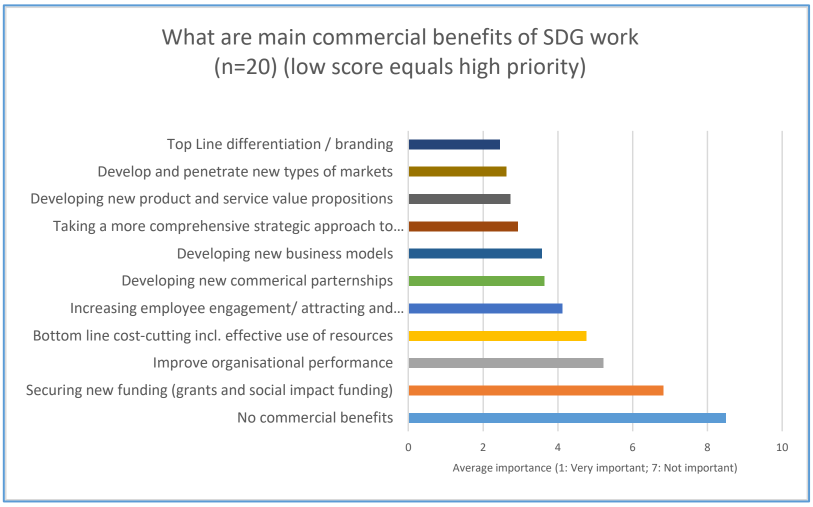
The third priority is related to the branding of the companies (Fig 4). The fact that many respondents viewed the SDGs as an opportunity to brand their company's sustainability work supports the general impression of a strong downstream and commercial motivation of the SDG work: "We feel that our SDG work provides us with very high credibility. I could make numerous presentations on our SDG work each week because many are aware that we are in the lead. We view this work as part of our communication and positioning". Likewise, another company stated, "we now have handouts, we have something to visualize with, an icon that we use the logo, so it functions as a kind of labelling. The graphical representation is key". Related to this, one respondent described the SDGs as a new language of sustainability as "the SDGs is a common language, something that the whole world is talking about and something that a lot of our products talks into". Another respondent stated that "the SDGs has helped us put new words on what we are doing; it has made us sharper in our communication". Several respondents saw an improved dialogue with customers as a main outcome of the SDG work: One respondent stated, "The use of the SDGs in communication and development projects can un-equally give us an improved position. It provides us with differentiation in relation to customers and in relation to politicians. Our hypothesis is that it makes a difference for our customers whether we work with the SDGs or not". Moreover, a respondent pointed out that SDG work could be "a door opener with customers . . . export managers know each other and agree that SDGs are good values, but we are far from where the market accept these values. Our large buyers will not pay a premium for our SDG work. But it can open doors".

In short, these companies engage with the SDGs for commercial reasons to preserve, expand, or build new market opportunities by engaging in responsible business activities. In contrast, more defensive motives for working with the SDGs, such as obtaining 'a social license to operate', anticipate future regulation, adapt to pressures from customers and NGOs, or reducing costs and increase efficiency, played less prominent roles among the respondents; As stated by one respondent, "within a few years, we got human rights policy, an environment programme etc. We got our house in order, but we did not really feel comfortable. With the SDGs, we can now reach out to customers".

c. What are the specific business benefits from SDG work

Asked about what, more specifically, the business benefits were, the respondents stated that the main commercial benefit of SDG work is found in differentiation and branding. This is a significant finding, supporting the above conclusion that companies' SDG work is overwhelmingly motivated with gaining competitive advantage (Figure 5).

Figure 5



Another downstream effect scoring high is discovering and penetrating new types of markets. This is a more radical effect of SDG work, where companies experience not merely an improved performance in already existing markets but opening up completely new markets not previously engaged.

Overall, it seems that for the 21 companies, differentiation and accessing new markets are the main value drivers behind SDG work. Conversely, bottom-line cost cutting and efficiency improvement play a lesser role. In other words, for most of the 21 companies' survey respondents find that SDG work is about contributing to sustainability through their products and services rather than through their production and procurement.

d. What is the value of SDG activities

The survey asked respondents to assess the commercial value of their SDG work. Many reported that this was impossible to estimate, partly because they do not know if the same value would have been generated if the SDG work had not taken place. Moreover, as SDG work in most companies is a direct extension of existing sustainability and CSR work, it is inherently difficult to assess the incremental value of SDG activities. Finally, many of the commercial effects from SDG work are intangibles (e.g., reputation, improved dialogue, visibility) and long-term, which add to the difficulty of assigning precise values to the SDG work.

With these caveats in mind, one-third of the respondents reported 'important' improvements in their companies' sales due to SDG work, and almost 60 per cent reported substantial improvements in customer dialogue (Fig 6). In particular, small as well as medium-sized companies had detected substantial improvements in sales and dialogue with customers over the project period, while large companies reported smaller effects. Mostly the benefits were anticipated rather than realized; as stated by one respondent: "probably, the work with the SDGs will affect our sales positively, but it will be in the longer run. The customers do not yet demand it, but it is coming". Another respondent stated that it is "far-fetched that we can move to invoice, but the SDG work has a branding value, and it has focused our strategy thinking".

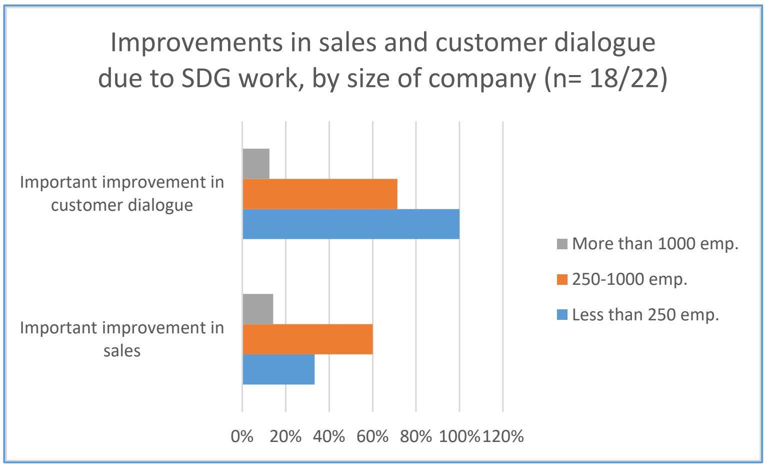


Figure 6

e. Organizational and strategic changes due to SDGs

The survey set out to examine which functions were involved in the SDG work. It appears that the initiative to engage with the SDGs and the subsequent coordination of SDG work is more or less evenly distributed between top management and sustainability/ CSR operations, according to the survey. As stated by one respondent, "many of these things we would have done anyway, but the vision and top management backing have made a huge difference". Among other functions involved in SDG work, we also find marketing, sales, and R&D functions. This reflects the strong focus on products and services in the companies' SDG work (Figure 7).

Together with other responsibility activities, SDG work may affect the business strategy and model of the company. Most respondents expect that their companies will make substantial changes to strategy and business models in the coming years because of CSR, SDG, and sustainability activities; indeed, one-third expects a shift in most or all aspects of the company strategy. As stated by a responsibility manager in a chemical company, "The SDG work, in combination with many other activities, has meant that sustainability now being integrated as a part of our business strategy. If you had asked me three to four years ago, I wouldn't have dared to think that we would be at this stage now. Previously we were focusing on our own impacts like emissions and waste, but now we also talk about how our products can help our customers reach their own sustainability goals ... that's a new way to talk about coatings." (Figure 8)

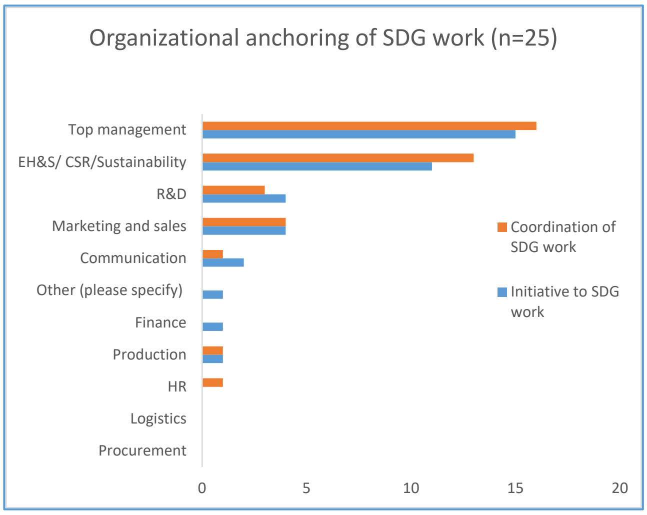


Figure 7

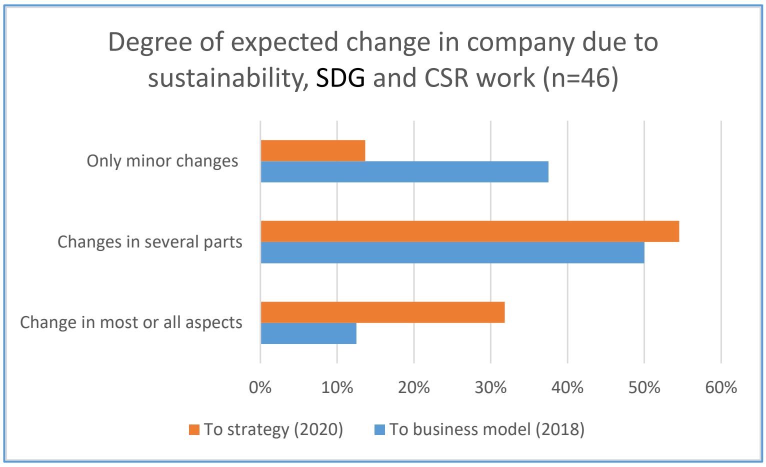


Figure 8

VI. Analysis

In the following, we will assess how the respondents related to the five SDG business cases presented in Figure 1.

a. Ethical obligation or business case

While SDG work in the 21 companies obviously may be motivated by both ethics and profits simultaneously, the clear and unequivocal view of the respondents is that their companies lean toward the business case. Hence, amongst respondents from the 21 companies surveyed, the majority (60%) view the SDGs as mainly a profit-oriented activity, while only 15% viewed it as mainly a philanthropic activity (Fig 3). Supporting this observation, the majority of respondents reported economic reasons for engaging with the SDGs (such as obtaining competitive advantage or strengthening brands), while only few reported that their company's SDG work was driven mainly by 'ethical and moral considerations' (Fig 4).

b. Risk mitigation

Some companies evidently view the SDGs in terms of anticipating regulatory risks and obtaining 'a social license to operate'. Hence, 15 of 45 respondents reported that SDG work provided their companies with a 'social license to operate' and 13 that the SDGs helped 'anticipate future regulation' (Fig 4). The companies with a risk mitigation mind-set were chemical and engineering companies involved in activities with very high risks (Chemical, Engineering1), engineering companies involved in industries with very high emissions of greenhouse gases in danger of losing their license to operate (Engineering2), or companies with high ethical risks (Clothing). This group of companies reports that the SDGs is a compass that helps them identify current and future risks deriving from growing and more complex societal expectations to business. Moreover, they emphasized that the SDGs was a platform to identify and engage stakeholders that may pose a threat to their business.

However, while a handful of companies engaged with the SDGs to mitigate risk to their product category coming from the sustainability agenda, it is also evident that the vast majority of companies engage with the SDGs to improve the bottom and topline (Fig 4).

c. Cost savings

A handful of companies engaged with the SDGs with an efficiency and resource conservation mindset. They typically came from highly resource-intensive industries with high water or energy consumption. This group envisioned substantial improvements to their bottom line from SDGs work, as it would facilitate more efficient use of resources upstream and downstream in their value chains (Water1, 2; Steel). These companies also reported that the SDGs is an effective way to mobilize their internal organizations towards resource savings and efficiency (Steel). Companies engaging with the SDGs to achieve efficiencies and savings typically anchored SDG activities in production and sustainability/ CSR functions (Fig 7) and they used the SDGs as a platform to achieve reputational gains by measuring, benchmarking and communicating progress on 'eco-efficiency' to stakeholders, consumers and customers (Water1).

d. Differentiation

While a handful of companies engaged with an efficiency and bottom-line mindset, a much larger proportion of companies engaged with the SDGs with a top line mindset, using the SDGs to expand their business. Hence, the majority of companies view SDGs as an opportunity to differentiate and brand their products and services (Fig 4). SDG activities in these companies were based predominantly in sales and marketing functions, in contrast to the bottom-line focused companies that based their SDG work mainly in sustainability/ CSR or production functions (Fig 7). By engaging with the SDGs, the topline oriented companies expected to get differentiation advantages vis-a-vis competitors not yet engaged in the SDG agenda: In BtB markets, big buyers increasingly include SDGs in their dialogue with suppliers and may eventually prefer SDG mainstreamed suppliers and service providers to others (Food1). In BtG markets, governments and international development agencies increasingly screen their partners for SDG performance, giving SDG compliant companies a competitive advantage (Planning2). And in BtC markets, consumers increasingly screen for sustainability, making strong SDG performance a key differentiator in certain markets, especially in the food and beverage industries (Food1,2).

d. Market forecasting

Among the companies that looked at SDGs as a topline activity, most looked to differentiation in existing markets. However, a group of companies looked to the SDGs as a way of forecasting future business opportunities: Hence, the second most important motive behind SDG engagement cited by respondents was to develop and penetrate new types of markets (Fig 5). Hence, the ambition of several companies was to use the SDGs as a tool to predict emerging SDG markets and to position themselves in relation to these markets. For instance, one company used the SDGs to identify future markets related to environmental planning and resource management in developing countries (Planning2). Another company used the SDGs as a platform for developing and communicating new business models that could cater to future markets for recycled products (Electrical2). These companies were typically rather small and agile as their engagement with the SDGs involved development of entirely new value propositions and business models.

e. Market creation

The vast majority of companies were seeking to capture existing and future SDG related markets, i.e. position themselves in exogenously defined markets. However, a few companies used the SDGs as a lever to transform and redefine the markets they operate in, i.e. treating markets as endogenous to their business strategy. For instance, one company used the SDGs to push regulators and clients to include health aspects in urban planning, thereby potentially opening completely new business areas for the company in the future (Planning1).

Developing and penetrating new types of markets through SDG work

"Some of our new projects—especially around health and equity—are much much more tied to the SDGs. The SDGs have allowed us to brand new types of services and have helped us through the COVID crisis. We have been able to land new types of projects related to health in a very difficult market situation. If we had not been able to do that, we would have been harder hit by the COVID crisis. …(it has) helped us redefine our business, that we are not only about the environment but also about the health and well-being of all people. And by being more vocal about us having capabilities within health, and that the engagement we are doing is about equity and representation of diverse people, it has allowed us to develop a new language and has opened up a palette of new types of projects.".

Partner Planning1

f. Summary

In sum, it is evident that the 21 case companies view the SDGs mainly as a profit-oriented activity and less as ethically motivated. There is however not one universal SDG business case. Some companies viewed the SDGs as a business opportunity agenda, others as a risk mitigation or resource efficiency agenda. Some used the SDGs to capture existing markets for SDG products and services, while others viewed the SDGs as a tool to develop new markets and business models. Some looked for low hanging fruits in terms of savings and differentiation, while other had a long-term horizon for return on investments. Hence, we identified and validated five distinct SDG business cases, as summarized in Table 2.

The analysis helped us understand the variation in business cases depending on types of companies: Incumbents in resource intensive BtB industries tend to focus their SDG activities on risk aversion and cost savings, whereas incumbent companies in FMCG industries tend to focus their SDG activities on product and brand differentiation. Consumer oriented service companies tend to focus on consumer preferences related to the SDGs and to use the SDGs to forecast and cater to those preferences, while BtB service companies focus their SDG work on shaping and even disrupting their clients' industries.

There is a number of caveats to the classification of SDG business cases presented in Table 2. In particular, individual companies may pursue several business cases simultaneously. This is partly because different product groups or functions may adopt different approaches to the SDGs and have different motives. But it is also because the business cases overlap conceptually: companies may get differentiation advantages from mitigating risks; moving into entirely new markets can be a radical risk mitigation strategy for a company whose product or service category is under threat from the sustainability agenda; and continuous differentiation may eventually add up to the creation of entirely new markets.

Business cases for the SDGs					
	Risk mitigation	**Cost savings**	**Differentiation**	**Market forecasting**	**Market creation**
Key value driver of SDG work	Avoid risk to business model	Savings, efficiency and productivity gains	Capture market shares through differentiation in BtB, BtC and BtG markets	Sensing and seizing future markets	Co-creating markets of the future
Content of SDG work	Using SDGs as certification instruments (a social license to operate) and as a risk-forecasting tool. Extensive measuring of impact External and external dialogue to identify mitigate risks	Use SDGs as a tool to move toward less resource intensive production e.g. using energy and eco-efficiency practices. Motivate, measure and communicate eco efficiency activities	Market communication based on SDGs to differentiate products and services and recruit employees Internal dialogue and communication to motivate and retain employees Using SDGs as a marketing and branding instrument	Use SDGs as a compass for discovering future markets External and internal dialogue with a broad range of stakeholders to forecast evolving SDG markets Innovation and business model development toward anticipated markets	Develop new markets by educating clients and lobbying decision makers ' and customers' sustainability challenges Facilitate innovation processes that can lead to disruptive solutions
Competitive advantage from SDG work	Survival, social license to operate. Reputational gains.	Reductions in costs and higher productivity. Reputational gains.	Capturing market shares from competitors through differentiation	First mover advantages into emerging SDG markets	Market creation opens potential 'blue oceans'
Typical sectors	Chemicals, energy, extractives	Energy and resource intensive industries	Mature industries, with growing sustainability demand	Services and industries under rapid change toward sustainability.	Services and new technology intensive
Typical size of the company	Large global	Large local or global	Large and medium sized	Medium sized	Small-medium sized
Industry position	Incumbent	Incumbent	Challengers to incumbents	First mover	Disrupter
Case companies	Chemical, Engineering 1 and 2, Clothing	Metals, Energy, Water 1, Packaging	Food 2, 3, 4; Furniture (BtC) Food 1 (BtB) Water 4 (BtG)	Electrical, Measurement, Event, Recycling, Publishing	Planning 1 and 2
Frequency	4 companies	4 companies	6 companies	5 companies	2 companies

Table 2

VII. Implications and conclusions

The paper contributed to the literature through ‘originality’ and ‘utility’ (Crane et al., 2016): The paper contributed by providing an original classification for the SDG business case that deepened and extended the various classifications of business cases known from the responsibility literature. This was done by explicitly rooting the classification of SDG business models in distinct economic value drivers related to time-horizon for return-on-investment and markets served. The utility of this classification was demonstrated through the empirical analysis of 21 companies, where it proved useful for characterizing, measuring and delineating individual companies’ engagement with the SDGs. The classification based on economic value drivers is not only useful as an analytical tool, but also for managers seeking to explain and communicate to their shareholders and other stakeholder why they engage in SDG activity.

Empirically, the paper offered original insights as to what drives SDG activities. It was found that SDG activities were driven mainly by business rationales and only rarely by societal responsibility. In that, the SDG agenda may be fundamentally different from previous generations of business responsibility agendas. The analysis further suggested that there is not one business case for the SDGs, but rather a number of rather distinct business cases spanning from risk mitigation over differentiation to market creation. These business cases were distinguished based on their underlying economic value drivers. The analysis suggested that the economic value drivers were not equally important: Where the responsibility literature often finds the business case for responsibility in risk mitigation and cost savings, it seems that the value drivers of SDGs work are more focused on market development and market creation. Due to the strong top-line orientation of SDG activities, they were mainly embedded in marketing, branding, and top management functions, rather than in sustainability and production functions, as is typically the case with other types of responsibility activities.

Overall, the analysis of 21 companies has generated novel insights into the overall question of what the business case for SDGs is. While the companies report that the SDGs in many respects builds on, and extends existing responsibility activities, the main conclusion is that companies see SDG work as fundamentally different from existing responsibility agendas; as mainly a topline oriented business development agenda.

In conclusion, the analysis has provided unique empirical insights into the complexity of the business case for the SDGs, thereby contributing to the extant literature. However, generalizations from the analysis should be made with some caution as the sample of 21 companies presumably consists of lead firms in terms of SDG and responsibility work. Moreover, the paper analyzed managers' perceived motives for engaging with the SDGs, not actual practices and performances. Future research should focus on understanding the actual practices undertaken by companies to implement the SDGs as well as the commercial and financial implications of SDG activities.

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