

How can small and medium-sized companies thrive in the context of the Sustainable Development Goals (SDGs)?

By Katrin Muff

The overwhelming challenges for the companies

In times of rapid change, business leaders are busy simply with reacting to megatrends and putting out fires. As markets are disrupted with players from unexpected industries or emerging out of nowhere, the pressure rises. Consider how UBER is challenging the taxi industry, how AIRBNB created a new market with 60% of its users saying they wouldn't have travelled if it wasn't for the Airbnb offer, how Ryanair and EasyJet broke the idea that new products must always be better and more, introducing the idea that there are over serviced customers who will happily live with less and pay a lower price. Disruption in your market can come from anywhere – who would have thought that the mobile phone would one day be a threat to the automotive industry, as millennials prefer virtual to real mobility. The reality of our VUCA world (volatile, uncertain, complex and ambiguous) challenges leaders of small and medium sized companies to and beyond their capacity. There are simply not enough hours in the day to solve both the burning issues and spend time thinking about longer-term repositioning and its consequences. And yet, as industries and businesses disappear as a result from such disruptions, the time has never been more pressing to think about the long-term. It is exactly when you no longer have time to take time that you must stop and create time for reflection. What is true for your own health and wellbeing is also true for the health and wellbeing of your business.

The SDGs represent an opportunity in disguise

There is a short-cut to the overwhelming complexity of dealing with this VUCA world. It comes from an unlikely corner, the United Nations! As more than 190 countries have signed up to the Sustainable Development Goals (short SDGs), business can count on a number of supportive policies to be introduced in the next decade enabling them to step in and solve these grand societal and environmental challenges. Bill Gates once said that not much happens in a year or two but that you will always underestimate what happens in a period of ten years. And this is what you can count on with the SDGs and related policies and regulations, too. Coalitions, governments and cross-sector initiatives of all kind will create soft-law and new regulations and incentive structures that will give those contributing to solving the SDGs a competitive advantage. Or, in sports language: the best defense is an attack. Rather than worrying about how disruption will kick you out of your market segment and defending the best you can against emerging threats, I suggest you focus on entirely new markets that emerge by solving those problems that society is most suffering from. These problems are likely to be complex and will not disappear overnight; hence they are what Peter Drucker called “business opportunities in disguise”¹.

How to translate the global goals to a business context?

A Swiss-based research project has developed a pragmatic answer to this most challenging question. Contributors across sectors have developed the GAPFRAME (www.gapframe.org) that clarifies at once which of the SDGs are relevant in the geographic context in which you operate and how these confusing global goals translate into clear challenges. The 24 issues that have been defined come with brief two sentence descriptions of what things would look like if the issue was resolved, offering an ideal vision towards which business and other stakeholders can now collaborate to define partial solutions for. The

¹ Peter Drucker (1973). *Management: Tasks, Responsibilities*. Harper Business.

GAPFRAME is a conversation opener that allows different players to sit around a table and figure out how specific core competencies of each participating organizations serves to solve these often wicked and multi-faceted challenges. We have tested this in Switzerland by creating sector-specific sessions that have initiated overarching sector-solutions, no single company could have attempted alone (example: massively reducing packing waste in supermarkets).

And what does that concretely mean for Austria?

As for 195 countries, the GAPFRAME offers a quick view on these issues for Austria (see Figure 1). Getting a grip on the carbon quotient and related to this a sustainable consumption are along with equal opportunity and social integration the burning issues that must be resolved as a priority if Austria wishes to contribute to a global safe space. These issues represent not only the largest opportunities but most likely also opportunities that will last in time and will receive most legislative support in the next two decades. The little “bit of magic” that SMEs are challenged to do is the following: embracing an “outside-in” perspective in favor of the existing “inside-out” view. The inside-out view illustrates the typical and much used defensive mode of looking at external challenges, namely the attempt to understand and protect against the risks of these problems out there, so that the business doesn’t get harmed. While this is a useful and important way of reacting to what is going on in the world, it misses the chance to consider these issues as opportunities for new revenue-generating business. Starting a strategic reflection process by focusing on the burning issues in society is what the outside-in perspective is all about. Imagine identifying the core competencies of your organization and then matching these with burning issues in society, with the purpose of creating one or two new businesses for you so that you have alternatives for the long-term.

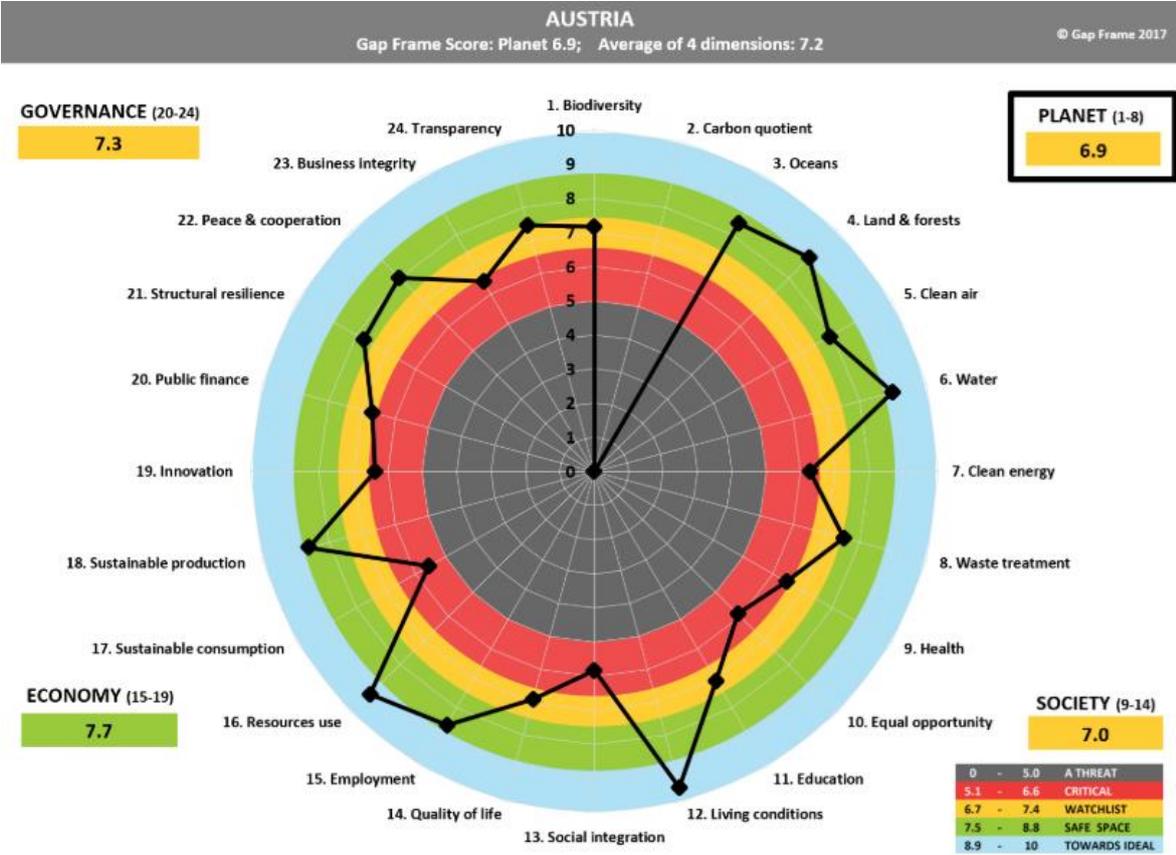


Figure 1: The burning issues for Austria to achieve a safe space for all (www.Gapframe.org)

Demystifying the process of embedding the SDGs in your business strategy

Our work with a handful of Swiss companies in the past 2 years has resulted in what we claim to be the shortest and most effective way for a business, particularly a small and medium sized business, to translate the SDGs into real business opportunities. We call it the SDG EXCHANGE (short www.SDGx.org) and its tested five-step process safely and effectively drives organizations from an open question to a clear business plan. The process hinges on a few key elements such as working with internal and external stakeholders during the ideation process, creating resources for an effective prototyping process where ideas are tested with potential users and partners and where the Truly Sustainable Business Model Canvas allows defining the cornerstones of a new business opportunity in enough granularity to generate a couple of business plans to be implemented. While the process can be started by a business at any time, it is recommended to work with certified advisers who are in charge of the process and hence ensuring timely success. Facilitation is an art and differentiating between the project leader in terms of the “what”, a person responsible for the “how” will keep the process tight and on track, anticipating and addressing the typical challenges of co-creation processes. Such challenges occur at the individual, at the group and at the common issue space level and are described in “Secrets, steps and superpowers of co-creation” (to be published by Routledge in September 2018). Experience shows that these challenges can be deal-breakers and deserve special attention.

The role of the initiator

Another key insight from our co-creation experience and working with companies is the importance of the initiator. It matters greatly who the person is that is perceived as leading a co-creation process. In SMEs, it is ideally the CEO, whose involvement demonstrates a strong message in the organization regarding the importance of the project. If the CEO initiates and leads the project and shares updates inside the company, the stories told inside the organizations will change and will impact the culture and contribute to transforming the organization. A CEO may also delegate such a leadership to another important and ideally charismatic and influential member of the management or the board. It will however be even more important that the CEO is an active communicator of process updates to ensure that the project receives the internal support that is required to shape new business models. Experience shows that such co-creation processes are more delicate than other normal “projects” that can survive a change in leadership quite easily given the clear task focus. When we are inventing the future, the stability and visionary leadership that an initiator provides will literally make or break a project, and an unexpected departure or worse withdrawal of the initiator can easily result in disrupting the process resulting in failure.

Understanding the process of co-creation

It is important to understand the various building blocks that typically define such a process. For this it is helpful to differentiate between the large innovation process that defines a given project from the small innovation process that takes places within the co-creation process itself (see Figure 2).

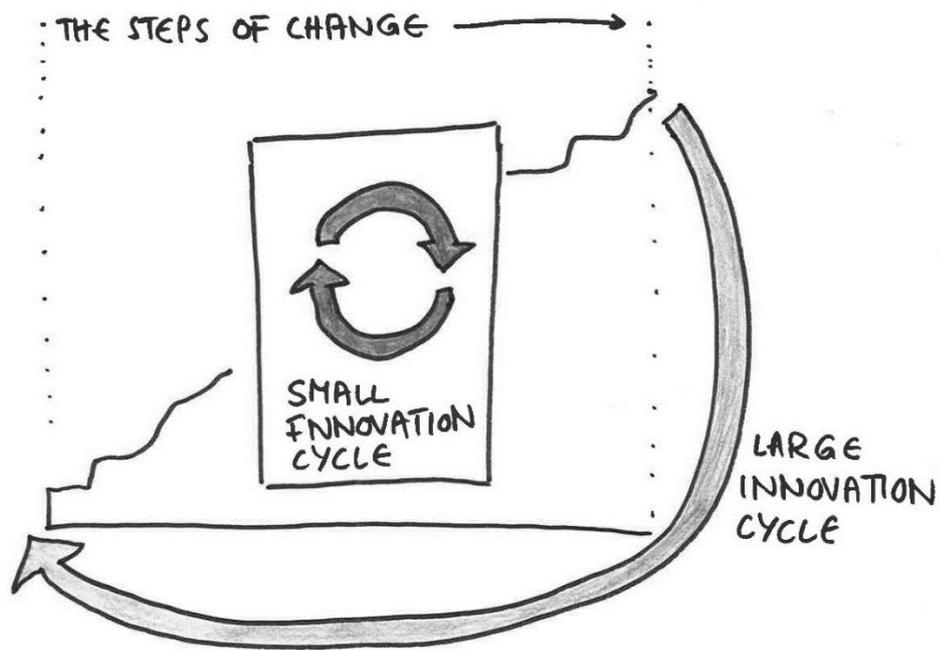


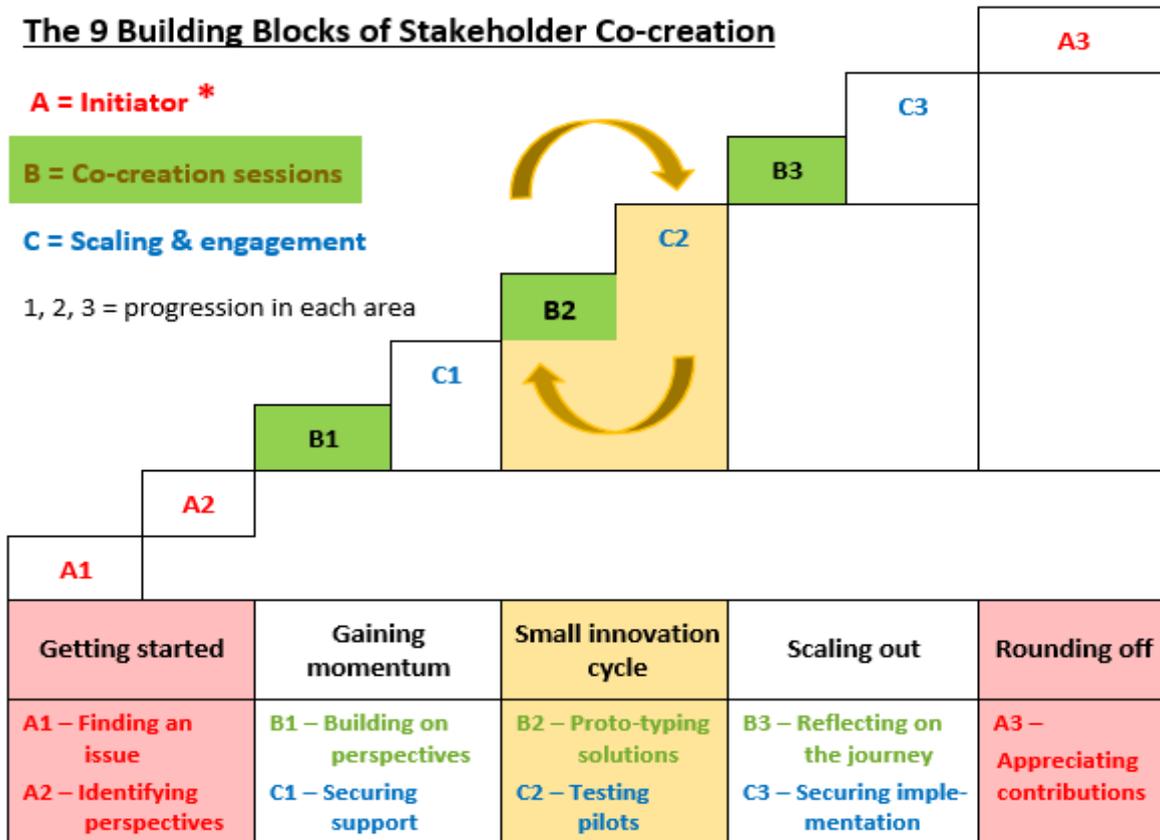
Figure 2: The large and the small innovation cycles of co-creation
 (Source: The five superpowers for co-creation by Katrin Muff, 2018)

Experience in the past decades has taught us that there are a number of elements, or building blocks, that define co-creation processes and that can enable success when correctly built together (see Figure 3). We differentiate between nine such building blocks:

- Finding and clarifying an issue
- Identifying different perspectives
- Building on perspectives to build an ideal vision
- Securing support from relevant stakeholders
- Prototyping solutions towards the ideal vision
- Testing the emerging pilots with potential users
- Reflecting on the journey and defining pathway to implementation
- Securing the implementation with relevant partners
- Appreciating contributions and closing the project

Not every co-creation process requires all of these, however, the initiator and the facilitator are well advised to consider why they might ignore one or several of these steps and how they can protect against the potential negative consequences of omitting a step.

The 9 Building Blocks of Stakeholder Co-creation



* A change maker or an organization

Figure 3: The nine building blocks of co-creation
(Source: The five superpowers for co-creation by Katrin Muff, 2018)

The mindset shift required to make co-creation processes work

“The issues we face are so big and the targets are so challenging that we cannot do it alone. When you look at any issue, such as food or water scarcity, it is very clear that no individual institution, government or company can provide the solution”.

Paul Polman, CEO of Unilever

As Polman outlines clearly, solving our burning issues of the world builds on the ability of organizations to work together with other institutions across sectors in multi-stakeholder co-creation processes. This is far from easy or evident. Reviewing the past five decades of such processes, the learnings and insights have been rich, building on dramatic failures and painful process breakdowns. The book “Secrets, steps and superpowers of co-creation” aims at translation these lessons learned into a guide for future change makers and ambitious organizations. Figure 4 highlights a key learning that is evident as soon as considered. Co-creation operates on very different principles than the normal state of competition, business typically operates in. In a state of co-creation, rather than rejecting differences, we embrace them. We uses values as a foundation of co-creation rather than a source of competition. On a personal level, we shift from feeling isolated from others to appreciating to what amazing degree we are all connected. This is expressed by stakeholders being able to overcome the desire to act in the interest of their “tribe” to orient their action in service of the issue at hand.

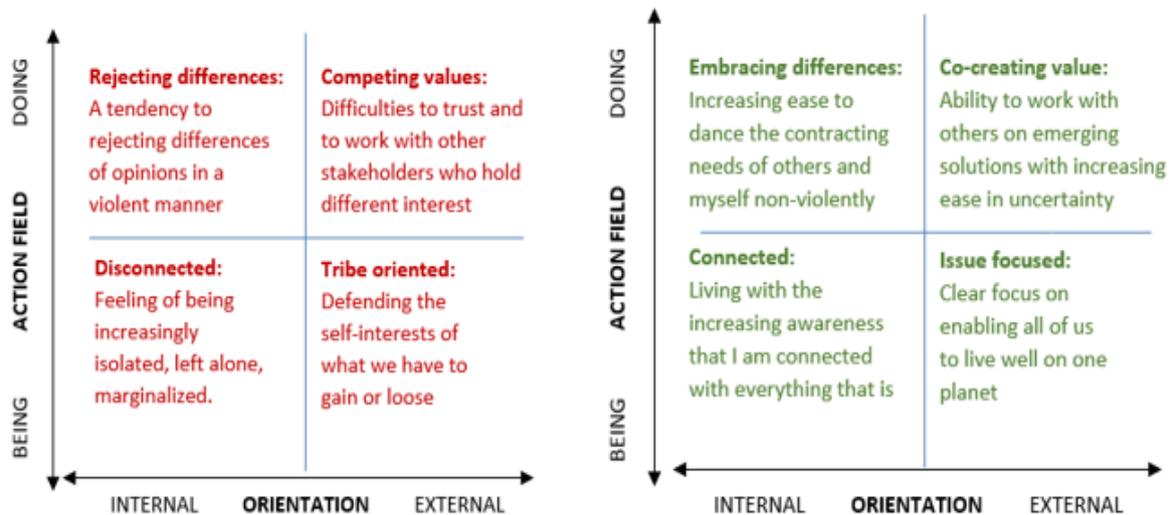


Figure 4: Shifting from a state of competition to a state of co-creation
 (Source: Secrets, steps and superpowers of co-creation by Katrin Muff, 2018)

A pragmatic hands-on strategy tool tailor-made for organizations of all kind

Taking into account both the process as well as the mindset shift represents an often-overwhelming challenge for busy organizations. We have worked with a half a dozen of Swiss companies since 2016 with the purpose to develop a pragmatic hands-on strategy tool for all kinds of organizations, and in particular for small and medium sized companies.

Today, the SDGXCHANGE (www.sdgx.org) offers such a solution, combining both process and knowledge tools in a most efficient way so that organizations can re-orient their strategy embracing an outside-in perspective by matching their core competencies with burning societal issues relevant in the countries of their operations. The GRIPS process is a five-step process that uses the essential building blocks (see Figure 5), starting with “Get Started” where the cultural readiness as well as stage of business sustainability of a given company are assessed. The “Redefine” step develops an understanding for the outside-in perspective and considers the sustainability priorities in the relevant countries. “Ideate” is a powerful co-creation day where the company leadership, young talent as well as relevant external stakeholders including the next generation. “Prototype” is an innovation process in itself and translate the ideas generated in the “ideate” step into concrete business plans ready for implementation. And “share” is the step where the organization measures, reports and shares its successes and learnings about having identified and implemented new revenue streams.

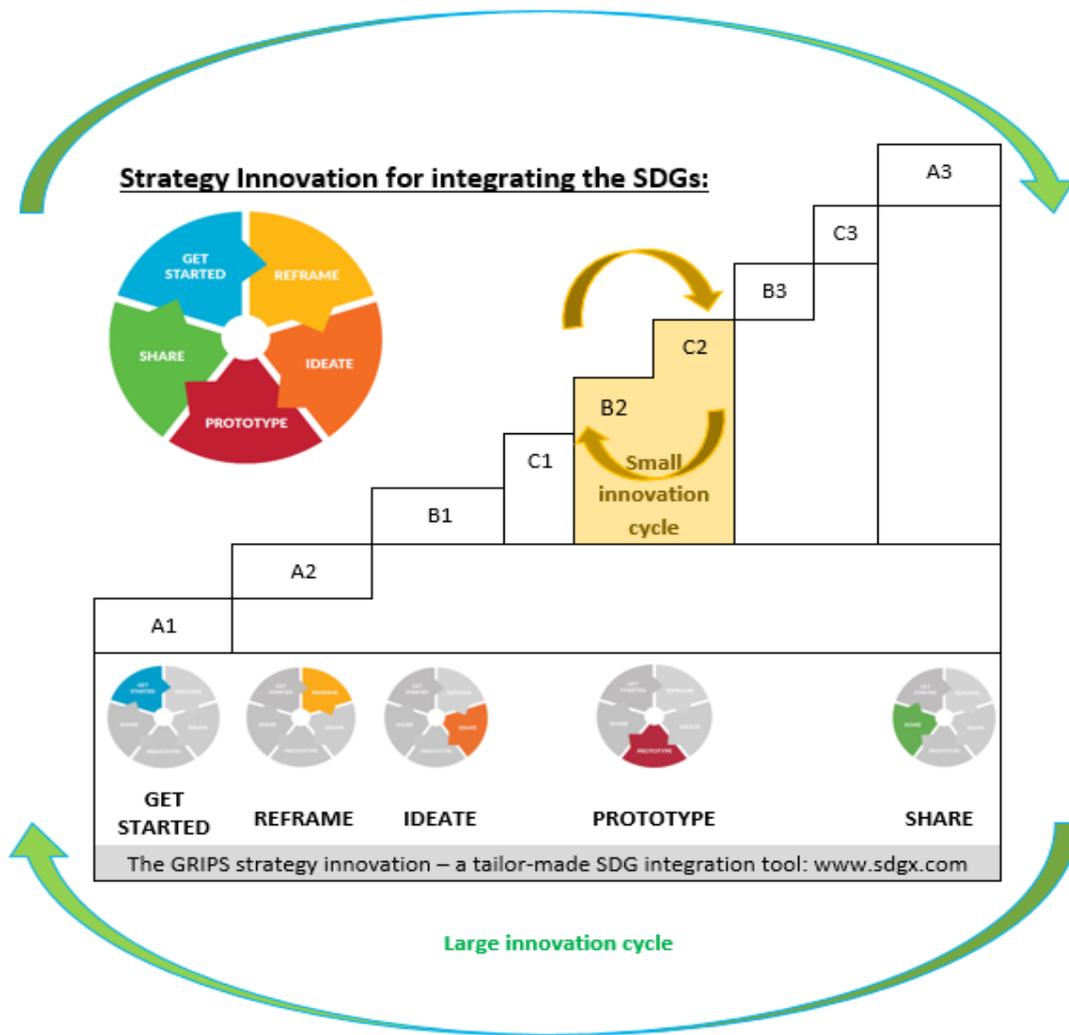


Figure 5: Co-creation made easy for business (www.sdgx.org)
 (Source: Secrets, steps and superpowers of co-creation by Katrin Muff, 2018)

Measuring success

As a company successfully advances through the co-creation process towards identifying new long-term business opportunities, there is a point in time where the team selects among the various prototype ideas it has pursued and investigated. Given the often significant difference between competing ideas, a quick and dirty assessment of each of them is critical to ensure that the most promising ideas wins. Promising in this context here means creating the biggest positive impact towards solving a societal issue. It also means considering the economic and social benefits to an organization and its larger stakeholder community. While the triple bottom line approach comes to mind when enumerating these points, the challenge here is to anticipate an estimated impact rather than assessing the achieved impact in hindsight. The SDG EXCHANGE (www.sdgx.org) offers access to leading-edge tools and approaches for this highly challenging element of coming up with business opportunities based on the SDGs. There is a lot of innovation in this space around the world and having an interpreter for these is of key importance for any type of organization that typically has a very limited amount of time to dedicate to searching answers for such questions. All of this is conveniently part of the SDG Exchange process integrating a variety of content and process methodologies in such a pragmatic way that a SME can easily and conveniently engage with it.

Sharing and reporting

Once a new business plan is adopted by a company, it is time to set up a new structure or even a new business. An ongoing effort of any new start-up is of course measuring its success, adapting to new insights along the way. Again, there are ample of ways of measuring success and how to report it. The field of integrated reporting has exploded since reporting of non-financial aspects of business has become the new standard. The Global Reporting Initiative (GRI) is issuing continuous updates to its instrument, adapting and improving the degree of sophistication in their models. The overwhelming complexity of a GRI reporting is far beyond the capacity of a SME that cannot dedicate a full-time person to simply report on its activities. Here again, pragmatic solutions are in demand and the Focused Reporting (www.focused-reporting.ch) project offers hands-on insights of how to cover the essentials. Having analyzed the sustainability reports of 101 Swiss companies of all sizes and industry sectors, has resulted in an interesting approach that differentiates between the completeness, the credibility and the relevance of the reporting. The use of the GAPFRAME as a way to measure relevance is an interesting benefit to SDGXCHANGE users who can expect to score high in that area. Another part of measuring and sharing success is also to share the new business development as a likely best practice example. The Business Sustainability Today (<https://sustainability-today.com>) is a Swiss cross-sector initiative that features such best practice companies across Europe by creating professional short films about the company initiatives. A potentially interesting way to showcase a new business initiative of your company.

Suggestions and recommendations

Operating a business in today's times and in anticipation of mega trends that are likely to entirely disrupt a majority of markets and business, is not for the faint hearted. To add to the complexity, we are currently in a period where the next generation is taking over the leadership of SMEs. The transition of power from one generation to the next is challenging in the best of situations and a true nightmare in the worst. We see the outside-in orientation that we suggest business needs to adapt as a bridge builder in this transition, avoiding a conflict of egos or personal preferences. Engaging together in a prospective process of identifying new business opportunities building on the existing competencies of a company can be an excellent catalyst of change and develop into a foundation for the future. Keeping the attention focused on the biggest challenges in society will ensure that business can be the positive force that we all hope business can be. It also creates an entirely different starting base for a conversation of new opportunities that are likely to circumvent the old conflicts that may have prevented change between the generations. The added challenge of a generational succession makes the facilitator no longer an option but a mandatory element of success. The facilitator will need to be equipped with coaching and mentoring competencies and be able to build a chemistry with both generations so that there is trust in the process. In our network, we are noticing an emerging number of capable change makers that are equipped with both the tools and the processes. Feel free to reach out to me if you need help in locating somebody capable near you.

Abstract

Rapid change coupled with generational issues can easily be overwhelming for small and medium-sized companies (SMEs). In this maze, the Sustainable Development Goals (SDGs) can be used as a compass highlighting emerging long-term revenue streams. As a starting point, clarify the country priorities using the Gapframe. Then, we need to demystify the strategy process; clarifying the role of the initiator, multi-stakeholder co-creation, and the associated mindset shift. The SDGXCHANGE packs all this into a business hands-on tool. The five-step process includes co-creation as well as reporting and sharing success. Build your own process or use the convenient SDGX.org tool, but don't ignore the power of the SDGs for your business.

CV

Katrin Muff is a thought leader, consultant and facilitator in the transformative space of sustainability and responsibility. She has helped shape Business School Lausanne, first as Dean and later as Professor in Business Sustainability & Responsibility from 2008 to 2018. Prior, she worked as a strategist for Alcoa in Europe, the U.S. and Russia and for P&G in the Netherlands. She holds a PhD from Exeter University, an MBA from BSL and is a certified coach.

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