Raymond Saner and **Lichia Yiu** argue that despite worrying times, initiatives such as the sustainable development goals, responsible business conduct and business diplomacy management can provide a winning formula for shared prosperity

Looking on the bright side

We easily get overpowered today by bad news, ranging from terrorist attacks through desperate mass migration to deep-seated corruption in business and politics.

It is easy to feel overwhelmed by so much bad news and feel powerless, hopeless and helpless. Consequently we are tempted to become cynical about our political and economic system and its leadership.

But while it is true that we are in a worrisome state of affairs, we should also focus our attention on areas of good news. There are a good number of promising constructive developments that we should include in our assessment of today's world affairs. These new developments also call on innovative response from the corporate world to step up to the challenge of making it a better place.

GLOBAL TREND 1:
Sustainable development goals

After two years of intense and difficult negotiations, 193 countries signed up to sustainable development goals (SDG) in September 2015 in New York. World leaders pledged their commitment to 17 SDGs, including ending extreme poverty, fixing climate change, and fighting inequality and injustice, in a bid to attain an equitable, more prosperous and sustainable world for all.

The SGDs are intended to stimulate sustainable and equitable growth during the next 15 years in areas of critical importance and are based on an integrated development approach consisting of three interconnected dimensions (economic, social and environmental sustainability). In order to achieve these goals, structural economic transformation is needed in order to support the transition to a green and sustainable economy.

According to the Council of the European Union, this framework should "consist of a single set of clear goals, which are ambitious, evidence-based, achievable, action-oriented, limited in number and easy to communicate, with measurable targets and indicators which are both qualitative and quantitative and which should be reviewed and monitored to ensure transparency and accountability". (Council of the European Union (2013), "The Overarching Post 2015 Agenda".)

To turn these ambitious goals into reality by 2030, countries need to work together to build the practical tools that enable them to opt for a multidimensional approach to the challenges and opportunities spurred by this commitment. This means concurrently targeting multiple policy objectives (sustainability, equity, growth and well-being as a whole), taking a cross-cutting and integrative view rather than sector-based lenses to analyse competing challenges and their drivers, and considering compatibilities and complementarities between different policy options.

As one of the crucial pillars of modern society, business is expected to do its part in implementing this transformative agenda.

The process of arriving at the 2030 development agenda was led by UN member states with broad participation from civil society stakeholders. It was a unique undertaking of intense bargaining and determination by hundreds of parties – governments, business and civil society – from all over the world. The 17 SDGs are presented in Annex 1 on page 35.

Of particular importance for business is SDG 17 and its subordinating targets 17.16 and 17.17, which state:

17.16 *Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries*

17.17 *Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships*

As a partner in achieving these SDGs, companies large or small, transnational or local, are invited to develop collaborative relationships with non-business stakeholders embedded in the same spatial system to achieve collective impact and sustainability of the local structure. Business diplomacy is the management function that liaises between the strategic objectives of the company with the social and environmental demands of the community. A new space for

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such collective impact, beyond buying and selling, needs to be co-created by effective intervention through business diplomacy.

GLOBAL TREND 2:
Responsible business conduct

Many enterprises in industrialised countries have embraced corporate social responsibility (CSR) since the late 1990s. Besides pledging their commitments through Global Compact or other alliances, companies have implemented many projects to help their fellow citizens improve their precarious circumstances, particularly communities and people suffering from handicaps of all sorts or who are in disadvantaged positions not of their own choosing (for example, ethnic or religious minorities, women being discriminated against, or children suffering from poverty and learning disabilities).

Many CSR projects are very laudable and have achieved their stated objectives. However, even the best CSR projects might be scrapped for short-term gains (cost-cutting to increase profits, for example). What is needed is a corporate environment that encourages sustained good business behaviour, discourages opportunistic short-cuts and reinforces basic good corporate citizenship.

Such an environment has been created by the OECD Guidelines on Responsible Business Conduct, which are the first inter-governmental instrument to hold enterprises to account for their overall management decisions. The guidelines integrate the second pillar of the UN framework on business and human rights into their business code of responsible conduct (see Annex 2).

The OECD guidelines are also the first to adopt the UN Guiding Principles' concept of risk-based due diligence for human rights impacts and extend it to all major areas of business ethics, according to Professor John G Ruggie, Special Representative of the UN Secretary-General for Business and Human Rights, in 2011.

In addition, the "OECD Guidelines for Multinational Enterprises on Responsible Business Conduct" are the most comprehensive set of government-backed recommendations on responsible business conduct in existence today. The governments that adhere to these guidelines aim to encourage the positive contributions multinationals can make towards sustainable development and to minimise the difficulties their operations may produce.

Multinational enterprises operating in or from adhering countries need to comply with this set of recommendations on responsible business conduct. Representatives of business, trade unions and non-governmental organisations participate in this process through the OECD Business and Industry Advisory Committee (BIAC), the OECD Trade Union Advisory Committee (TUAC), and OECD Watch. In other words, the guidelines are implemented by the signatory governments with support from the representatives of three main stakeholders in the economy and society, namely, governments, business associations and labour unions.

The guidelines are part of the 1976 OECD Declaration on International Investment and Multinational Enterprises, a policy commitment

34

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12

...and 12 Non-OECD countries, with more planning to join and align their enterprises with basic and sustainable principles of good corporate conduct

by adhering governments to provide an open and transparent environment for international investment and an environment to encourage the positive contribution that multinationals can make to economic and social progress. The guidelines aim at balancing an open investment climate coupled with responsible conduct by enterprises.

Adhering countries are obliged to set up National Contact Points (NCPs) to further the effectiveness of the guidelines by undertaking promotional activities, handling inquiries, and providing a mediation and conciliation platform for resolving issues. This makes the guidelines the only international corporate responsibility instrument with a built-in grievance mechanism. Thirty-four OECD countries and 12 Non-OECD countries have subscribed to the guidelines so far and more are planning to join and align their enterprises with basic and sustainable principles of good corporate conduct.

Like the SDGs, the OECD guidelines are non-binding and voluntary but carry the power of conviction and scope, which make them uniquely important for the future of our economies and societies. The OECD Guidelines consist of 11 elements (see Annex 2, page 57).

ANNEX 1:
SUSTAINABLE DEVELOPMENT GOALS

GOAL 1. End poverty in all its forms everywhere
GOAL 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
GOAL 3. Ensure healthy lives and promote well-being for all at all ages
GOAL 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
GOAL 5. Achieve gender equality and empower all women and girls
GOAL 6. Ensure availability and sustainable management of water and sanitation for all
GOAL 7. Ensure access to affordable, reliable, sustainable and modern energy for all
GOAL 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
GOAL 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
GOAL 10. Reduce inequality within and among countries
GOAL 11. Make cities and human settlements inclusive, safe, resilient and sustainable
GOAL 12. Ensure sustainable consumption and production patterns
GOAL 13. Take urgent action to combat climate change and its impacts
GOAL 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
GOAL 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
GOAL 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
GOAL 17. Strengthen the means of implementation and revitalise the global partnership for sustainable development.

Mankind is facing a multitude of challenges that at times look bleak and difficult to overcome by conventional means. There is indeed a need for new thinking and new solutions

GLOBAL TREND 3:
Business diplomacy management – a strategic function in implementing SDGs and OECD guidelines

Implementing the 17 SDGs goals and the 11 articles of the OECD guidelines cannot be achieved through a "business as usual" approach. How to implement such broad and deep commitments requires abilities to engage external counterparts constructively and — equally importantly — the ability to convince actors within enterprises to agree to implement such a code of conduct and to form partnerships with non-business counterparts.

Business diplomats are best qualified to meet these complex and important business challenges and relationships and to nurture a business culture that supports, leads and cajoles multinationals to orient their business policies and activities towards an overall balance of diverse business objectives while at the same time respecting codes of conduct such as the OECD guidelines and contributing to the best of their abilities to help society achieve SDGs, particularly SDG 17.

These objectives and obligations are at times in opposition with each other and at other times coalesce towards achieving a sustained business that is based on publically agreed criteria of good conduct.

Multinational enterprises have to ensure a delicate balance between wealth creation and social engagement — in other words moving from "business as usual" to "business with ethics" and from being a corporate "raider" to becoming a corporate "resident". This is the operational space within which business diplomats can play an important strategic role in establishing a collaborative relationship with the communities where multinational operations are being conducted.

Business diplomats will need to help their multinationals to navigate between defending their legitimate interests while also helping them to address the legitimate concerns of non-business stakeholders. How to facilitate such a new model of conducting international business that is based on a form of social contract is crucial for social sustainability and eventually for the bottom line but this needs to be designed and implemented without jeopardising the multinationals' business fundamentals or disregarding the equally legitimate expectation for a return on investment. This balancing act requires a new set of competences that are normally not part of the toolbox of a traditional business executive. (See Raymond Saner, Lichia Yiu and Mikael Sondergaard, 'Business Diplomacy Management: A Core Competency for Global Companies', *Academy of Management Executive*, vol. 14, no. 1,2000, pp. 80-92.)

Business diplomacy management (BDM) pertains to the strategic management of interfaces between an enterprise and its external non-business counterparts (NGOs, CSOs, international organisations, and national and local governments) that have an impact on its reputational capital and licence to operate. BDM functions to strengthen an enterprise's ability to shape and influence its operational environment and to foster an internal narrative supportive of constructive interchange with that environment.

BDM is particularly suited to deal with OECD guideline compliance and complaints. The General Policies are the core guiding principles of the guidelines and are listed under section II. In total there are 17 General Policies that multinational should take fully into account in the countries in which they operate and where they should also consider the views of other stakeholders. Of the 17 general polices, there are 15 "should" (mandatory) and two "encouraged" (optional) policies. Seen from the BDM perspective, 11 of the 17 policies fall very much within the domain of business diplomacy competence (See Saner, R; Yiu, L, (2014) "Business Diplomacy Competence: A Requirement for Implementing the OECD's Guidelines for Multinational Enterprises", the *Hague Journal of Diplomacy* 9 , Brill Nijhoff; Leiden, pp.311-333)

ANNEX 2:
ELEMENTS OF THE OECD GUIDELINES FOR RESPONSIBLE BUSINESS CONDUCTS

- **I.** Concepts and Principles
- **II.** General Principles
- **III.** Disclosure
- **IV.** Human Rights
- **V.** Employment and Industrial Relations
- **VI.** Environment
- **VII.** Combatting Bribery
- **VIII.** Protect Consumer Interests
- **IX.** Science and Technology
- **X.** Competition
- **XI.** Taxation

15

Of the 17 general polices there are 15 "should" (mandatory) policies and two "encouraged" (optional) policies

17

There are 17 general polices of the OECD guidelines, 11 of these policies fall very much within the domain of business diplomacy competence

BUSINESS DIPLOMACY MANAGEMENT AREAS OF ACTIVITY

- Participating in cross-sector social interactions with local and international NGOs and CSOs (including CSR projects, the UN's Global Compact, and private-public-social partnerships)
- Joining in international negotiations by state and non-state actors to ensure successful inclusion of defensive and offensive business objectives (such as free-trade agreements, regional trade agreements, bilateral investment agreements and multilateral environmental agreements)
- Influencing standard-setting organisations to ensure inclusion of a multinational's core business activities including patents and intellectual property, labour standards, OECD guidelines, and OECD tax and financial accounting requirements
- Building non-business social networks for engagement and outreach
- Internal briefing on public perception of the corporate image and demands for benefits sharing

Conclusion

As noted above, mankind is facing a multitude of challenges that at times look bleak and difficult to overcome by conventional means. There is indeed a need for new thinking and new solutions. The SDGs and the OECD guidelines offer a great opportunity for the business community to overcome the current impasses and crises through socio-economic innovations. In order to grasp these opportunities, business needs support from "business diplomats" to transcend narrow mind sets and old paradigms.

To meet the sustainability challenges facing mankind, production of goods and services needs to become sustainable. With its competence in organisation and management, business can aim higher to become the catalyst and partner in making our societies more equitable, inclusive, participatory and caring. This is possible if a designated actor within the corporation focuses on mitigating conflicting priorities and imperatives and brings internal and external stakeholders to the table to finding novel solutions and approaches to conducting business and fostering partnerships.

This is possible if we fully support the SDGs, stick to the OECD guidelines and use business diplomacy to reach out to non-business stakeholders – the democratic majority and potential consumers.

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