

# SDGs Management: Analyses Based on Corporate Citizen Business Model and Creating Shared Value Model

Sairan Hayama

Professor, Shukutoku University

## Abstract

This paper analyzes SDGs management in corporations through corporate citizen business model (CCBM) and creating shared value model (CSVM). In the CCBM, corporations conduct their business and social contribution activities based on their economic and ethical implications but will eventually contribute to the SDGs (sustainable development goals) through intended and unintended consequences mechanism. In the CSVM, corporations strategically pursue shared value business activities which bring benefits to corporations themselves and the society at the same time. The analyses of SDGs management in corporations illustrate a dynamic and mutually sustaining relationship between economic and ethical implications which is essential for SDGs engagement and achievements.

**Keywords** : SDGs management, Corporate Citizen Business Model (CCBM), economic and ethical implications, Creating Shared Value Model (CSVM)

## 1. Introduction

In 2004, when I received my Ph.D. degree in business administration from Yokohama National University, Professor Hiroshi Mito was my advisor helping me with my academic research. My dissertation's title was "Toward the Construction of Corporate Citizen Model: the Latest Development of Business and Society" and since then I have been teaching and doing my research on CSR-related topics, such as Multinational Enterprises and CSR, Creating Shared Value, BOP Business and MNE's Sustainability, and

SDGs Management for 18 years. The experience of studying with Professor Mito has stabled my research direction and helped me create my own teaching method. I really appreciate Professor Mito's instruction and advice when I did my research at Yokohama National University.

Professor Mito invited me to write an article because he is going to retire from University of Nagasaki and one special edition journal is going to be published. I am pleased to join this publication project, and, in this paper, I am going to explore and discuss why companies are implementing SDGs-related activities by using Corporate Citizen Business Model, which was proposed in my dissertation in 2004 and published in my book in 2008, and Creating Shared Value Model.

## **2. Businesses and SDGs Management**

According to United Nation's website, SDGs (Sustainable Development Goals) are "a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere. The Goals were adopted by all United Nations Member States in September 2015 as part of the 2030 Agenda for Sustainable Development which sets out a 15-year plan to achieve the Goals and their related targets. Never before had world leaders pledged common action across such a broad and universal policy agenda." Today, corporations use SDGs as a common language for communicating with their stakeholders around the world and working to achieve SDGs through business, to strengthen a corporation's foundation for sustainability and offer opportunities to win in the global markets.

It is also well known that the word of SDGs has been becoming a very essential key concept in modern society and companies. In addition to CSR (corporate social responsibility), SDGs management or SDGs strategy are attracting more and more attention since 2015 in corporations. In Japan, according to the fifth revised version of Japan Business Federation (Keidanren)'s "Charter of Corporate Behavior: for the Realization of a Sustainable Society" dated November 8, 2017, the role of a corporation is to take the lead in the realization of a sustainable society by creating added value

that will benefit society and generating employment, through autonomous and responsible behavior based on fair and free competition<sup>1)</sup>. SDGs, like the first principle of the revised Charter of Corporate Behavior, are the common goals and languages for corporations to develop and provide socially beneficial and safe goods and services through innovation and strive for sustainable economic growth and the resolution of social issues for the realization of a sustainable society.

Firstly, let's confirm what are the purposes of SDGs management. In 2015, the United Nations adopted the 2030 Agenda for SDGs to not only address the issues faced by developing countries, but also to encompass global agendas that are integrated and indivisible, harmonizing economic, social, and environmental sustainability. The 2030 Agenda was adopted to describe the universal goals of the entire international community, both developed and developing countries, should achieve together. Since 2015, Japanese companies have been also actively integrating some specific SDGs into their business activities and are trying to contribute to the fulfillment of SDGs and bring economic benefits to companies at the same time.

As people know very well that SDGs consist of 17 goals and 169 targets aiming to eradicate poverty and realize a sustainable world. Today, corporations are desired to recognize that their development is founded on the realization of a sustainable society, and they should exercise their social responsibilities by conducting their business in a manner that takes the environment, society, and governance (ESG) into consideration to deliver on SDGs. Private sectors are also expected to make changes not only within their own corporations, but also in their group companies and supply chains by fostering partnership and collaboration with various organizations in terms of SDGs management.

But how corporations pursue their economic profit and achieve SDGs at the same time? Based on the Corporate Citizen Business Model (Hayama, 2008) and Creating Shared Value Model (Porter & Kramer, 2011), the author is going to analyze the mechanism of correlation between economic and ethical implications regarding SDGs management.

### 3. Corporate Citizen Business Model for SDGs Management

Until the 1980s, corporate citizenship was understood at the level that companies were also members of the community and therefore should engage in philanthropic activities and social involvements. However, since the 1990s, the concept of corporate citizenship has been used in a broader sense, going beyond the category of philanthropy to include “socially responsible companies” and “companies that fulfill both social responsibility and social contribution” (Fombrun,1997). C.J. Fombrun argues that corporate citizenship is formed from three core aspects: ethical, social, and economic aspects<sup>2)</sup>. According to his interpretation, on the ethical side, corporate citizenship requires companies or managers to do the “right” thing. It reflects the shared moral and ethical principles of the corporation. On the social side, it means that companies play an important role in building communities by actively responding to social needs. Therefore, corporate citizen business model (CCBM) is a business model representing that companies use their resources to bring synergetic benefits and values to companies and society. A good corporate citizen should act as a good neighbor, shoulder to shoulder with other fellow-citizens, and fill their rightful place in society. CCBM aims to integrate economic and ethical implications of business activities to achieve the goal of sustainable development of business and society.

CCBM companies are expected to promote and maintain community participation, acknowledge their responsibilities beyond returning profits to shareholders, and strike a balance with various stakeholders. On the economic aspect, the profitability of various stakeholders can only be achieved if the company can survive in the long term. This is because a company must increase the morale and loyalty of its employees, gain the trust of its consumers, and act in a way that earns the trust of the community and investors. Through these actions, a company will build its reputation and gain a competitive advantage, and these actions will lead to profits in the long run.

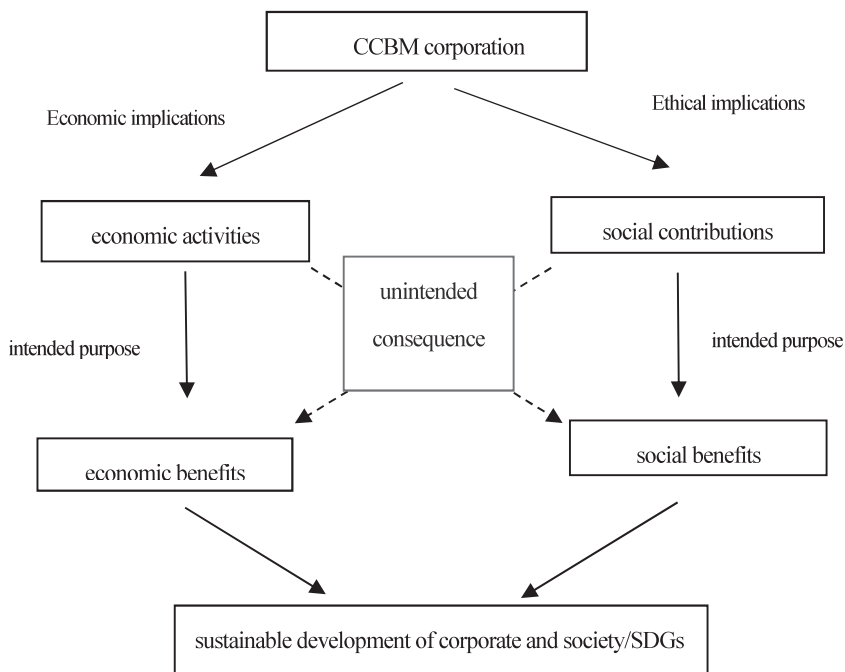
### (1) **Economic Implications of CCBM**

As shown in figure 1, CCBM aims to achieve sustainable development of the company and society through economic activities and social contribution from the multiple perspectives of economic and social aspects. Firstly, from the economic/business perspective, a company makes profits through economic activities to accomplish its intended purpose, which directly contributes to the growth and financial performance of the company. On the other hand, from the social contribution/ethical perspective, a company aims to solve social problems and improve social welfare through social contribution activities as its intended purpose. However, these two kinds of economic/business and social contribution/ethical perspectives are not unrelated to each other, but they have various and significant effects and consequences on each other through the purposive-consequence mechanism. For example, through the business activities of researching and developing ecological cars, Toyota Motor Corporation achieves the economic benefit of providing less environmental pollution cars for the market as its intended purpose, and at the same time, contributes greatly to environmental protection as of unintended consequence. On the other hand, Toyota's academic cultural support and social contribution programs such as offering scholarships to famous universities, bring social benefits as its intended purpose to help poor students have chances to learn, and help the company secure future excellent human resources as its unintended consequence.

Thus, owing to the purpose-consequence mechanism of CCMB, a company may become aware of new needs through social activities, which may lead to new products and business opportunities. In other words, the "social benefit" of social contribution is the intended purpose and the "economic benefit" is the unintended consequence. For example, in 2000, Denso Corporation, an automotive parts manufacturer that had been engaged in social contribution activities through the production and diffusion of wheelchairs, established a base (NPO) for the production and diffusion of wheelchairs in Thailand and started it as a new business<sup>3)</sup>. These social contribution activities provided many disabled people with opportunities to work (social

benefit), and through its social contribution projects, it had been able to detect the needs of disabled people for health products and services, which helped Denso to research and develop new products.

**Figure 1: Interrelated Mechanism of Corporate Citizen Business Model (CCBM)**



Source: This figure is revised based on the corporate citizen business model presented by Hayama (2008), p.124.

**(2) Ethical Implications of CCBM**

Omron has been engaged in activities supporting the reintegration of the disabled into society based on charitable and ethical motives. This social activity has not only enabled many disabled people to get a chance to work (social benefit), but also helped Omron develop new products (economic benefit) by detecting the needs for health products and services that disabled people need through its social business. This is another case in which an “unintended consequence” of social contribution activities becomes economic benefit. Moreover, volunteer activities by employees bring about social benefits as the intended purpose, and at the same time, economic benefits such as human resource development and employee loyalty and

pride arise as an unintended consequence. And this is a synergistic mechanism of corporate citizen business model. A CCBM company can simultaneously achieve social and economic benefits through the mechanism of intended purpose and unintended consequence. CCBM is a business model that it does not consider society or stakeholders as obstacles to deal with but seeks the sustainable development of the company and society and aims to integrate the two.

#### **4. Creating Shared Value Model for SDGs Management**

Current SDGs activities and management in private companies can also be analyzed as the implementations of CSVM. To achieve the global common SDGs, modern corporations are encouraged to apply their resources to solve various global social issues, such as inequality, poverty, discrimination, and environmental problems. The following is the analysis of SDGs management in Japanese companies.

##### **(1) Economic Perspective of SDGs Management**

There are various stakeholders who influence or are influenced by a company's business activities and a company's responsiveness to various stakeholders is being observed and evaluated. In recent years, there has been increasing interest in ESG (Environment, Society and Governance) investment or socially responsible investment (SRI) that encourages corporates' social activities in addition to economic benefits. If shareholders evaluate companies' social and environmental performances, it is inevitable that top managers actively engage in social and environmental activities in accordance with the shareholders' intentions.

Also, from the customers' point of views, more and more consumers are actively evaluating the environmentally friendly business activities of companies, as represented by the green consumerism. Moreover, from the perspective of human resource management, employees can take pride in their companies through participation in social and environment protection activities, and at the same time, they can achieve self-fulfillment by contrib-

uting to the society as good citizens. Various stakeholders are demanding ethical and fair management activities from companies through various means and are also asking companies to actively contribute their management resources to local and international communities. How companies respond appropriately to the expectations and demands of these stakeholders has become an important issue. If companies are doing well in the fields of economic, social, and environmental performances, they will be highly evaluated by their stakeholders and be chosen to be the ESG investing targets.

## **(2) Ethical Perspective of SDGs Management**

In term of the ethical perspective of SDGs management in the global community, companies are being urged to engage proactively in resolving social issues as members of the society. SDGs are adopted as internationally shared goals for realizing a sustainable society, and companies are being called on to exercise creativity and innovation to deliver on those goals.

One of the main reasons for Japanese companies to engage in social contribution and SDGs is “the responsibility as a member of society”. In fact, many corporate executives answered that the reason they engage in social contribution activities, is because they think it is the right thing to do. According to Keidanren’s Survey (2020), regarding the positioning of social contribution activities, 95% of the responding companies answered social contribution activities as part of their corporate social responsibility and 83% of the responding companies answered that it is part of the realization of their management philosophy and vision. Also, 81% of the responding companies replied that it is for the sustainable development of society. Moreover, 91% of the responding companies have social contribution or sustainability divisions to conduct social contribution or SDGs activities<sup>4)</sup>.

## **(3) Creating Shared Value Model for SDGs Management**

Since Porter & Kramer announced the concept of CSV in 2011, CSV has been drawing more attention than CSR. According to Porter and Kramer



(2011, p.64), companies must take the lead in bringing business and society back together. After pointing out that most companies are remaining stuck in a “social responsibility” mind-set in which societal issues are at the periphery but not the core, Porter and Kramer mentioned that the solution lies in the principle of shared value, which involves creating economic value in a way that also creates value for society by addressing its needs and challenges. Porter advocated that CSV model would create both social value and economic value by solving social issues. Porter also argued that creating shared value business model is a new approach to achieve economic success by engaging in the pursuit of the public interest. The concept of shared value can be defined as a policy or method of operation to improve the economic and social conditions of a community while enhancing the company’s competitiveness by pursuing their needs and challenges. It increases efficiency and sustainability of the corporation by improving their skills, resources, and technique, and making the local institutions stranger.

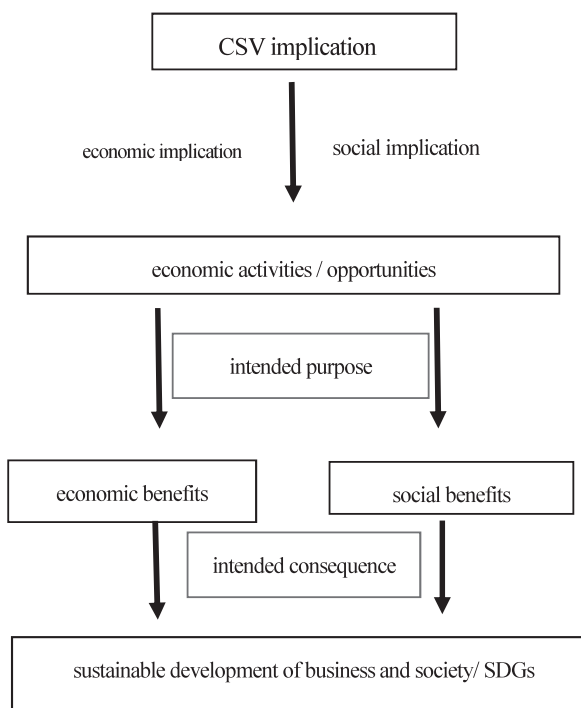
As shown in figure 2, CSVM stands for Creating Shared Value Model and it is an idea that to succeed, companies need to create value for their shareholders, but at the same time, companies also need to create the value for the society. Usually, a company uses their own resources such as products and skills to solve social issues and create values to the society. The core of CSV is that business benefits and positive societal impacts must be mutually reinforcing and CSV optimizes a company’s value for the shareholders and has a long-term positive impact on all stakeholders connected to its business.

In their article, Porter and Kramer argued that shared value is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success and CSV involves creating economic value in a way that also creates value for society by addressing its needs and challenges (p.64). The increasing importance of CSV means that companies must consider multi-stakeholder interests as well as the social, political, economic, and environmental impacts of their actions. With the progress of globalization, companies are expected to do their business activities by cre-

ating economic and social shared value with the society and the final goal will be achieving SDGs.

Porter & Kramer (p.67) also pointed out that there are three ways to create shared value: by reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company’s locations. For example, food companies that traditionally concentrated on taste and quantity are refocusing on better nutrition that has become the new social value. On the other hand, Wal-Mart lowered carbon emissions and rerouting its trucks and saved \$200 million in costs (p.69) by reducing its packaging and cutting. J&J saved \$250 million on health costs by helping employees stop smoking and implementing numerous wellness programs. Moreover, J&J had benefited from a more present and productive workplace (p.71).

**Figure 2: CSV Model**



Source: The diagram is prepared based on the author’s concept and understanding about CSV Model (Porter & Kramer, 2011)

While CCBM starts a company's economic and social activities based on its economic or social implications, CSVM begins with a shared value targeting at achieving both economic and social goal of the company. Though CSV has become a popular management word, there are some socially beneficial activities not chosen to be done due to lack of economic profit.

## 5. Conclusion

In this paper, the author firstly analyzed the corporate citizen business model (CCBM) by indicating the intended and unintended purpose-consequence mechanism when companies engage in SDGs management from both economic and ethical implications. In the CCBM, economic and ethical implications or perspectives are not contradictory, but may have synergistic effects through the "collateral consequence mechanism". For example, in the case of social contribution activities based on ethical implications to solve social problems, it is possible for companies to obtain enlightened self-interests such as "enhancement of corporate image" and "acquisition of excellent human resources" as collateral consequences, even if the activities start from ethical reasons. On the other hand, even when social contribution activities or SDGs activities are done based on economic implications, they result in economic benefits to achieve the economic purpose and may eventually turn to social benefits as a collateral consequence to fulfill SDGs as well.

In the analysis of creating shared value model (CSVM), corporations try to turn specific social issues into business opportunities and pursue economic value and social value simultaneously, and eventually these shared value business activities related to the SDGs will bring benefits to corporations themselves.

It can be concluded that, either based on CCBM or CSVM, companies recognize that their primary corporate responsibility is to provide products, systems, and services matching the needs of their customers, and, at the same time, they are aware that they are members of the society, and they should be actively engaged in social contribution activities to play a more

active role in creating a better society by voluntarily utilizing their management resources from a global or local perspective over the long term. No matter adopting CCBM or CSVM, corporations are expected to integrate economic and ethical implications to contribute to the achievement of SDGs for the global communities.

**Notes:**

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